

IFR ASIA

INTERNATIONAL FINANCING REVIEW ASIA

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Star vision

Ant Group's plan for a dual listing has been hailed as a ringing endorsement of IPO reforms in Hong Kong and Shanghai. It is also shaping up as a test of their compatibility.

Ant, Alibaba's financial services affiliate, will be the first company to sell shares on the Shanghai Star market and Hong Kong exchange simultaneously via a mooted US\$20bn dual listing expected later this year.

A/H share floats have always been complicated by differences in valuations and regulations between the onshore and offshore markets. The last one was for Agricultural Bank of China back in 2010, when the biggest challenge was selling the stock to offshore investors above book value. Since then, plenty of issuers have tried but failed, forced instead to take a two-step approach that involved going public in Hong Kong first.

The Star market's streamlined approval process gives companies more control over the timing of a share sale,

A successful Star float for a company of Ant's size and calibre opens the door for a gradual shift to mainland markets.

putting a simultaneous offering back on the table. But reforms are also adding further complexity. The Star board's more flexible pricing rules have opened up a massive valuation gap with Hong Kong, and Star board stocks will soon join the Stock Connect link, allowing investors to pick and choose which counter they hold.

SMIC's recent Star listing sent its Hong Kong shares on a rollercoaster ride, more than doubling in value ahead of the Shanghai debut only to crash by over a third immediately afterwards as investors switched into the mainland stock. Ant's concurrent listing will require delicate handling to balance those dynamics.

There is a longer-term issue at stake here, too. A successful Star float for a company of Ant's size and calibre will offer a clear comparison of liquidity and valuations between Hong Kong and Shanghai, and is sure to catch the attention of other Chinese tech giants. That opens the door for a gradual shift to mainland markets as and when capital controls allow it.

Charles Li, chairman of the Hong Kong exchange operator, quickly welcomed Ant's plans as an endorsement of Hong Kong's future. Unfortunately for Hong Kong,

though, the future of Chinese IPOs may belong to the Star market.

Local lessons

Asia's local markets are joining the party in global bond issuance. It's about time.

Companies in India, Thailand and South Korea have been rushing to their domestic currency markets in recent weeks in a bid to lock in long-term, fixed-cost funding to ride out the uncertainties of the Covid-19 pandemic. Compared with the burst in US dollar issuance, however, Asia's local markets are lagging far behind.

South-East Asia is a telling example. Local currency bond sales were down in the first half of 2020 in all ASEAN markets except Vietnam, which has remained mostly virus-free. In the second quarter, Philippine peso issuance plunged by 90% year on year, Indonesian rupiah offerings fell by 65% and Thai baht bond sales dropped by 18%.

At the same time, international bond sales have soared to a record as companies and governments respond to the Covid-19 crisis. G3 issuance from the ASEAN region passed US\$28bn in the second quarter, up 87% on the previous all-time high. Indonesia and the Philippines have been especially active.

Asia's local bond markets have come a long way since the dark days of the Asian financial crisis in 1997-98, but not far enough. Liquidity is still thin and confidence is fragile, to the extent that any credit scare can shut the baht or rupiah market for weeks.

The fact that local issuance is now rebounding shows that the measures regulators have taken to support their markets are finally starting to pay off. They need to do better, though.

The crisis makes it clear that companies in emerging Asia need easier access to long-term local currency funding that does not expose them to foreign exchange risks.

True, India and Thailand have each taken useful steps to revive their local bond markets, although South Korea's bond buying programme has been the most effective in supporting issuance. Regulators elsewhere can learn from those experiences, but they have not solved every problem.

The liquidity squeeze caused by the pandemic remains severe for smaller companies, which cannot access international investors and remain shut out of their local markets because central bank support schemes have funnelled more money into the highest-rated credits.

There will be many lessons for Asia's capital markets from the Covid-19 crisis, but the importance of local liquidity cannot be overstated. Companies in emerging Asia, whether high-grade or high-yield, shouldn't have to rely on faraway investors for essential funding.

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Ant joins Star listing frenzy

■ **Equities** Landmark A/H float follows reforms to IPO rules

BY FIONA LAU, KAREN TIAN

China's Nasdaq-style Star board has won its biggest endorsement to date with the long-awaited dual listing of **ANT GROUP**, Alibaba's financial services affiliate.

Ant, the parent company of China's largest mobile payments business Alipay, said last Monday it planned to float on the Stock Exchange of Hong Kong and Shanghai's Star board, without specifying a timeline or fundraising target.

According to people close to the deal, Ant plans to raise about US\$20bn, split equally between Hong Kong and Shanghai, at a valuation of around US\$200bn. The company may file listing applications in both markets as early as August as it is keen to complete the listings by the end of the year, said two of the people. A spokesperson for Ant declined to comment.

Ant's listing is likely to be the biggest so far on the one-year-old Star market, which has quickly become an attractive listing venue for Chinese technology companies.

"The innovative measures

implemented by SSE Star market and the SEHK have opened the doors for global investors to access leading-edge technology companies from the most dynamic economies in the world and for those companies to have greater access to the capital markets," said Eric Jing, Ant's executive chairman. "We are thrilled to have the

Star Year

The Shanghai Star Market's first 12 months

Listing applications	407
New listings	140
Funds raised	Rmb210bn
Average IPO valuation (2019 P/E)	70.9
Total market cap	Rmb2,796.5bn
Average valuation (2019 P/E)	100.4
Best 1st day (QuantumCTek)	+924%
Worst 1st day (Luoyang Jalon Micro-Nano New Materials)	-2%
Top sponsor	CICC (21 listings)

Source: Shanghai Stock Exchange

opportunity to play a part in this development."

RAPID DEVELOPMENT

Unlike other Chinese unicorns, Ant never considered a US listing, given the regulatory hurdles around foreign ownership of its consumer

payments business and the vast amount of sensitive data it holds on Chinese citizens.

There has long been talk of an Ant public listing, but the transformation of the Hong Kong and Shanghai markets in the past few years has convinced the company that now is the right time.

Hong Kong introduced listing

this year, including JD.com and NetEase.

In response, index compiler Hang Seng is set to introduce the Hang Seng Tech Index on July 27, which will track the performance of the 30 largest tech companies in Hong Kong.

"A few years ago, who could imagine Hong Kong would have its own tech index?" said a fund manager. "Now with Ant coming and more secondary listings and biotech IPOs, Hong Kong is truly building itself as a hub for tech listings."

The Shanghai Star board, which celebrated its first anniversary last Wednesday, can already claim to have hosted the world's biggest listing so far this year – the Rmb45.3bn (US\$6.4bn) float of Chinese chipmaker Semiconductor Manufacturing International – and Ant's IPO will set another landmark.

"The listing of Ant will enrich and improve the types of companies listed on the Star board. It is a giant company which investors are familiar with. It will surely be included in the SSE Composite Index and Star 50 Index, which will help attract more capital to the Shanghai markets," said Bruce Pang, chief economist at China Renaissance Securities.

The Star 50 index closed at 1,497 points on its debut last Wednesday against a base level of 1,000 points as of December 31.

As of last Wednesday, 140 companies have raised Rmb210bn from Star market listings, and another 267 have applied to list.

BANK SELECTION

Ant is working with CICC, Citigroup, JP Morgan and Morgan Stanley on the Hong Kong leg of the IPO, while CICC and other Chinese banks are expected to lead the A-share sale, said people familiar with the situation.

The deal will translate into big fees and league table credit for



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the banks, but they also need to commit capital and risk losing other mandates, too.

Sponsors of Star IPOs over Rmb5bn are required to buy 2% of the offering and hold the shares for two years, up to a cap of Rmb1bn.

CICC last week more than trebled the number of shares on offer in its own proposed Shanghai IPO, raising the fundraising target to Rmb15.6bn based on the investment bank's net asset value per share of Rmb10.80 in 2019.

A CICC spokesman said the original plan "can no longer fully

meet the company's business development needs for capital". Rivals believe the leading Chinese investment bank is building a war chest to support more sizable Star IPOs.

CICC has sponsored more Star listings than any other firm, and is sitting on handsome paper profits. Its US\$65m investment in SMIC's deal, for instance, is now worth US\$186m.

JP Morgan, meanwhile, is no longer working on the US IPO of Chinese online wealth management company LUFAX after it was picked to work on the Ant IPO. Morgan Stanley is

also expected to have a more passive role on the Lufax deal.

Bank of America, Goldman Sachs, HSBC and UBS are now leading the Lufax float, which is expected to raise at least US\$2bn.

Ant raised US\$10bn in a 2018 funding round for a valuation of about US\$150bn, backed by a number of global sovereign wealth funds and private equity firms such as GIC, Temasek, Warburg Pincus, Carlyle Group and Sequoia Capital.

Alibaba spun off Alipay in 2011 to create Ant Financial, renamed to Ant Group in May 2020. Ant provides digital financial services

including payments, insurance and wealth management, and served 1.3 billion customers in the 12 months to March 31 2020, according to Alibaba's latest annual report.

Ant said the listings will help the company to further digitalise its services in China, drive domestic demand and develop its markets worldwide.

As of March 31, Alibaba founder Jack Ma controlled approximately 50% of Ant Group through equity investment partnerships, Alibaba Group held 33% and other shareholders the remainder. ■

Australia tests long bond appetite

■ Bonds AOFM extends curve amid soaring deficits and green legal challenges

BY JOHN WEAVERS

Australia is gearing up for a rare offering of 30-year bonds amid growing scrutiny of its green credentials.

After a blowout response to recent shorter deals, the AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT will launch a curve-extending syndicated June 21 2051 Treasury bond this week, via joint leads ANZ, CBA, Deutsche Bank, JP Morgan and UBS.

The long bond, which is expected to prove popular with yield-seeking investors, comes as the country's exposure to climate change and the Australian government's green policies are again in focus.

Last week a retail investor, 23-year-old student Kathleen O'Donnell, launched a class action suit against the government alleging that it failed to include climate change or global warming in its list of material risks for Treasury bonds – in contrast to interest rate movements and default risks, which are included.

O'Donnell is seeking a declaration that the government breached its disclosure requirements and an injunction

blocking it from selling more exchange-traded government bonds until it complies.

The federal government's questionable green credentials have regularly come under fire as it continues to defend the coal industry – the country's largest export earner and source of most of Australia's electricity.

That attitude could count against it with capital markets investors in competition with more socially responsible alternatives.

These alternatives include the 13 countries which have issued over US\$60bn in sovereign green bonds since 2016, as well as New South Wales, Victoria and Queensland, which have all sold green bonds in recent years.

Responsible investments under management are soaring in Australia, fanned by last year's catastrophic bushfires. Some offshore buyers have also shunned Australian assets, including Sweden's Riksbank, which last year boycotted bonds from Australia's two major coal-producing states, Western Australia and Queensland.

So far, there has been no obvious impact on overall demand for Australian or state

government bonds, and bankers expect the 2051 benchmark to sell well.

The AOFM secured a colossal combined order book approaching A\$130bn (US\$93bn) for its three recent issues, the A\$13bn sale of November 2024s on April 15, the record A\$19bn sale of December 2030s on May 13, and the A\$17bn sale of November 2025s on July 14.

The new bond has a smaller natural buy-side base than these shorter-dated issues that benefit from huge bank balance sheet demand and funds that prefer the higher liquidity of bonds included in the three, five or 10-year futures contract baskets.

"Nevertheless, the 2051s should see good support from domestic asset managers and superannuation funds seeking duration and yield, while offshore real money will appreciate the pick-up over sovereign alternatives," said a syndication manager on the trade.

He pointed to the 65% offshore allocation for the opening of the 3.0% March 21 2047 Treasury bond line back in October 2016, which was dominated by UK, US and European accounts.

The Australian curve's relative steepness at the long end is another supportive factor, he said.

Australia continues to benefit from its status as one of only 10 countries to be Triple A rated by all three major ratings agencies, despite its ballooning fiscal deficits.

Thursday's fiscal update forecast revealed a deficit of A\$85.8bn in fiscal-year 2019-20, versus an earlier surplus forecast, with the annual shortfall predicted to surge to A\$184.5bn in 2020-21.

On July 3 the AOFM reported that issuance of Treasury bonds totalled A\$128.2bn in the financial year ended June 30 2020 and said it will update guidance for this fiscal year when the Treasury announces its 2020-21 budget in October.

S&P, which lowered Australia's outlook to negative in April, said its rating can withstand the large widening in the deficit and expects the fiscal balance to improve during the next few years. However, it also warned that "risks to our rating remain tilted toward the downside".

Moody's said: "We expect Australia's Aaa rating to remain resilient. In particular, we expect the process of fiscal repair will begin in 2021 as the economy recovers and financing costs remain low." ■

Orders flow for Manila Water

■ **Bonds** Offshore bond debut comes months after Duterte suggests revoking concession

BY DANIEL STANTON, JIHYE HWANG

Investors took the plunge on an unrated debut US dollar bond from **MANILA WATER**, even though the president of the Philippines recently threatened to nationalise the company.

Manila Water on Thursday priced a US\$500m 10-year non-call five 4.375% bond at 99.002 to yield 4.5%, inside initial guidance of 4.75%, and beating the initial size target of US\$300m–\$400m.

The senior unsecured Reg S issue, led by bookrunners *BPI Capital*, *Citigroup*, *Credit Suisse*, *HSBC*, *Mizuho Securities* and *UBS*, is also the first ASEAN sustainability bond from the Philippines.

Manila Water recently set up a sustainable financing framework with a second opinion from DNV, and will use the proceeds to help finance water and wastewater infrastructure projects in eastern Metro Manila and to refinance debt.

“The issuance of this sustainability bond is fully aligned with our commitment to create shared value towards achieving the targets of the UN Sustainable Development Goals, especially SDG 6 which focuses on clean water and sanitation,” said Jose Rene Gregory D Almendras, president of Manila Water, in a statement.

Manila Water also operates in Indonesia, Thailand and Vietnam, but has lately been under fire in its home market.

From March 2019, Metro Manila suffered months of water shortages as reservoirs ran low, and the two water concession operators, Manila Water and Maynilad Water Services, drew the wrath of President Rodrigo Duterte.

In August 2019, the Philippine Supreme Court ruled that both operators had violated the country’s Clean Water Act for failing to build

more sewers and fined them Ps921m (US\$18.7m) each – a verdict Manila Water is contesting.

Then in November the Permanent Court of Arbitration

talks with the government, which brought in the Asian Development Bank as a consultant.

Duterte in January 2020 warned Manila Water and

“The credit is obviously complex and we probably could have given investors more time,” said a bookrunner, who said that some analysts had not finished studying the credit between the announcement of the mandate on Wednesday and launch on Thursday.

in Singapore found in favour of Manila Water and ordered the Philippine government to pay Ps7.39bn for blocking the company from raising its prices in 2015 according to the terms in its concession. Several government officials reacted angrily to the result and called for the 1997 concession agreement to be torn up and redrawn.

The original 25-year concession is due to be extended for a further 15 years in 2022, but the friction with the government means it is not certain this will be granted on the same terms. In April this year, Manila Water began

Maynilad, which is controlled by Manuel Pangilinan’s Metro Pacific Investments, that he would throw their executives in jail if they refused to accept a revised contract offered by the government. He has also suggested nationalising the water industry.

In February, Prime Metroline Holdings, a company controlled by Enrique Razon Jr, the chairman of International Container Terminal Services, agreed to take a stake in Manila Water through a Ps10.7bn share purchase which has yet to be completed.

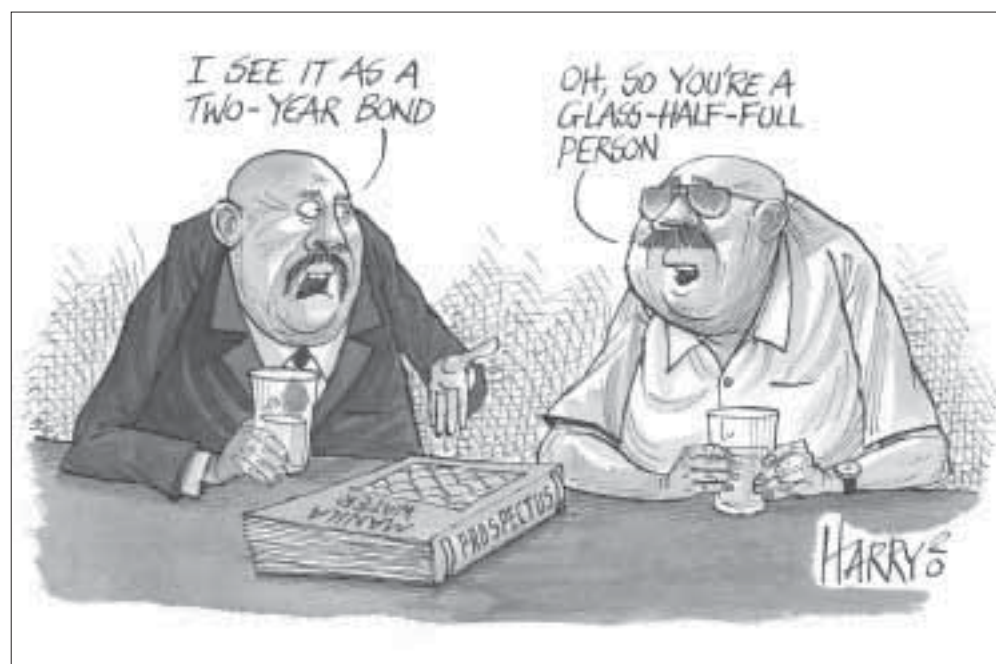
Razon, who is perceived to be in good standing with Duterte,

agreed to take a 25% economic stake as a result of which Ayala’s shareholding will drop to 38.6% from 51.4%. However, Ayala also agreed to transfer preferred shares to give Prime Metroline 51% of the voting rights and reduce Ayala’s voting rights to 31.6%.

Duterte’s relationship with Manila’s water providers has thawed since then. In May, he apologised to the Ayala group and Manuel Pangilinan after they helped to provide testing and treatment services and supplies to help fight the coronavirus.

“The credit is obviously complex and we probably could have given investors more time,” said a bookrunner, who said that some analysts had not finished studying the credit between the announcement of the mandate on Wednesday and launch on Thursday.

Despite this, Manila Water did not offer much of a premium over similar unrated bonds. Ayala’s AC Energy had dollar bonds due 2024 quoted at a yield of 3.09%, port operator ICTSI’s June 2030s were at 4.45%, and Philippine



conglomerate JG Summit's 2030 bonds were seen at 4.09%. One of the leads put the new issue concession at 25bp.

PUT PROTECTION

The bond provides some protection for investors in case Manila Water loses its concession or changes ownership, which bankers said was critical to the deal.

Investors can put their bonds at 101% of face value under a regulatory redemption trigger if the concession agreement for the Metro Manila area is terminated or redrawn on materially worse terms for the company before the end of 2022 – by which time Duterte will have completed his six-year term as president.

Nomura's credit sales and trading desk wrote that this clause did not offer much protection to bondholders, since it is the issuer who will decide whether the regulatory redemption clause has been triggered.

Holders can also put the bonds at 101 if Ayala and Prime Metroline between them cease to control at least 50% of the stock.

Investors, including real money accounts, seemed to be comfortable with the credit, with final orders exceeding US\$1bn from 85 accounts, from a peak of US\$1.96bn. Asian investors took 79% and Europe 21%, as the sustainable angle attracted ESG-focused money managers there. Insurance companies, which often require ratings, bought 14% of the issue, with fund managers booking 57%, private banks 19%, and banks 10%.

"The long tenor and the ESG angle definitely helped attract insurers," said a second banker on the deal.

The deal also drew some demand from accounts in the Philippines, where the issuer has a domestic rating of Aaa from PhilRatings.

The bonds were seen about a point lower in secondary trading, in a weak market on Friday. ■

Yes Bank concedes 55% discount

■ **Equities** Hedge funds and insurers buy into 'priced-to-sell' follow-on

BY S ANURADHA

Stressed Indian banks are likely to swallow stiff price concessions to raise much-needed equity after loss-making **YES BANK** priced a Rs150bn (US\$2bn) follow-on public offer at a 55% discount to the pre-deal close.

Insurance companies and hedge funds bought the bulk of Yes Bank's FPO on July 17, with underwriter *SBI Capital Markets* taking up the 5% that remained unsold. Under Indian rules, the offer had to receive a 90% subscription in order to close.

The shares were priced at the bottom of the Rs12–Rs13 range and, in the week following the deal, the stock lost a further 27% to trade at Rs14 on Friday, down 70% for the year.

The follow-on could set a benchmark for upcoming share sales by financially stressed lenders. State-owned **IDBI BANK** is planning to raise up to Rs110bn, while **CANARA BANK** and **INDIAN BANK** are looking to raise Rs50bn and Rs20bn respectively. All three are grappling with high loan defaults.

While private sector banks may not have to give such deep discounts, they can no longer price transactions at wafer-thin discounts, as they used to do.

AXIS BANK is planning to raise up to Rs150bn through a qualified institutional placement sometime this year after raising Rs125bn just last year at a 1.4% discount. Analysts said that resorting to equity dilution so soon indicates that provision requirements for bad loans may be much higher than previously expected.

Axis Capital, BNP Paribas, Credit Suisse, HSBC and UBS are working on the share sale.

MAIN BAIT

The deep 55% discount offered by Yes Bank was the main bait for investors. The bank chose

the FPO route because the regulatory discount to the floor price would have been capped at 5% in a QIP.

Bay Tree India, owned by hedge fund Tilden Park, took 55% of Yes Bank's anchor book. Other anchor investors were HDFC Life Insurance, Amansa, Jupiter India Fund, Jupiter South East Asia Investment Company, Bajaj Allianz Life Insurance, ICICI Lombard General Insurance, Reliance General Insurance, RBL Bank, Edelweiss Alternative Investment Opportunities Trust, Elara India Opportunities Fund, Hinduja Leyland Finance and ECL Finance.

"There were investors from the extreme ends of the spectrum. One group wanted to take advantage of the huge discount and will sell upon allotment while the other is optimistic that the bank is a good long-term investment," an ECM banker away from the deal said.

The long-term optimists are banking on continued government support for the lender. In March, the previous board was dismissed and State Bank of India acquired a 48.2% stake for Rs60.5bn. Housing Development Finance Corp, ICICI Bank, Axis Bank, Kotak Mahindra Bank, Federal Bank, Bandhan Bank and IDFC Bank also bought stakes ranging from 2% to 8%.

SBI said it will invest up to Rs17.6bn in the FPO as it has to maintain a stake of at least 26% for the next three years. The other banks though did not buy shares in the follow-on.

LIFE SAVING

The completion of the follow-on has thrown a lifeline to Yes Bank. The institutional tranche was 1.9 times covered, the high-net-worth investor piece 63% and retail 47%.

"The successful equity raise reflects Yes Bank's regained

access to external market funds which in turn shows its improving financial strength and will help to support depositor confidence," Moody's said in a report.

Yes Bank's Tier 1 capital adequacy ratio will rise to 12.9% from 6.3% after the deal.

"The capital raise brings Yes Bank's capitalisation closer to its private sector peers and will strengthen the bank's resilience to potential asset quality stress because of coronavirus-related disruptions to India's economy," Moody's said.

In June the Reserve Bank of India prohibited the bank from paying coupons on its Tier 2 bonds because it failed to meet regulatory capital requirements. The equity raising should restore its ability to service these bonds, helping regain access to the debt markets.

However, Angel Broking said in a report it will take a long time for the bank to revive and make a decent return on equity.

"Our concern for Yes Bank is fresh formation of bad loans that would keep provisions high and return ratio compressed for longer time. Retail deposit is the key for any bank for lower cost of funds; however, Yes Bank has witnessed sizable deposit withdrawal over last two quarters," it said.

This may explain why domestic mutual funds, which normally participate in all IPOs and FPOs as anchor investors, were absent from the deal.

"Retail and high-net-worth investors have started selling as they expect the shares to adjust to the FPO price," a Mumbai-based stock broker said. The FPO shares start trading on Monday.

Axis Bank, Bank of America, Citigroup, HSBC, ICICI Securities, Kotak and SBI Capital were the banks on the transaction. ■

Thai bonds set for hot summer

■ **Bonds** Corporate issuers line up Bt134bn bond pipeline

BY KIT YIN BOEY

Thailand's rebounding corporate bond market is set for a huge boost with at least Bt134bn (US\$4.23bn) of deals planned in the third quarter, as companies take advantage of a recovery in investor demand.

"Investor confidence has gradually returned to near normal," said Ariya Tiranaprakij, executive vice president of the Thai Bond Market Association. "High-grade corporate bonds are receiving as strong demand as in the

period before the coronavirus outbreak."

Institutional investors had pulled back from late March after TMBAM Eastspring closed four global bond funds, prompting heavy redemptions from mutual funds. This was exacerbated in May when savings cooperatives, fearing losses after Thai Airways entered court-supervised rehabilitation, retreated from the market.

But a series of government steps to support the debt market, including the

establishment of a Bt400bn corporate bond stabilisation fund, and less fallout than expected from the Thai Airways default, have slowly encouraged more institutional investors to buy bonds again.

Their return helped telecom company TRUE upsize a four-tranche bond to Bt23.4bn from Bt20bn after a mid-July offering to retail and institutional investors. PTT also completed its second domestic bond sale in a month – a Bt15bn dual-tranche last week, which followed a Bt20bn five-tranche issue at the

end of June that was four times covered.

Their success augurs well for the jumbo bond issues expected to hit the market in the next couple of months. These include CPF THAILAND's Bt20bn issue in August, GULF ENERGY DEVELOPMENT's Bt10.4bn offering also in August and CP ALL's plan to raise Bt25bn in September.

Other issuers in the pipeline include ICBC THAI LEASING with a Bt6bn bond deal expected at the end of July, GLOBAL POWER SYNERGY's Bt5bn offering around the same time, CH KARNCHANG

Rupee debutantes seize the day

■ **Bonds** First-time issuers grab opportunity to raise funds at a more attractive cost than loans

BY KRISHNA MERCHANT

Indian companies including HDFC LIFE INSURANCE, HINDUSTAN ZINC and WIPRO ENTERPRISES are lining up debut rupee bonds as they take advantage of the lowest yields in over a decade in the domestic debt market to shore up liquidity amid the Covid-19 pandemic.

HDFC Life Insurance is planning a Rs6bn (US\$80m) sale of 10-year subordinated bonds on NSE's electronic platform on July 27. Hindustan Zinc and Wipro Enterprises are eyeing Rs50bn and Rs10bn respectively from five and three-year notes.

Crisil has assigned a AAA rating to the securities of HDFC Life and Hindustan Zinc, while a rating is yet to be announced Wipro Enterprises' notes.

The debut issuers are seizing the opportunity offered by a plunge in yields to more than 10-year lows. The yield for Triple A rated paper touched 6.8% last week, driven down the various liquidity-propping measures from the Reserve Bank of India, including cutting the repo and cash reserve ratio

rates by 115bp and 100bp to 4% and 3% since the beginning of the year, as well as long-term repo operations.

"We are seeing quite a few debut deals in the domestic debt market because it is cheaper to raise funds from bonds compared to bank loans for highly rated corporates with sound corporate governance," said Arvind Subramanian, fund manager and head of credit research at IDFC Mutual Fund.

On July 15, GODREJ INDUSTRIES, rated AA by Crisil, priced debut Rs7.5bn three-year bonds at 6.24%. The conglomerate would have paid around 40bp–50bp more for a bank loan at the same maturity, according to a DCM banker. BHARAT OMAN REFINERIES also came to the market for the first time in July with Rs6bn of three-year bonds at an attractive yield of 5.85%.

TOUGH TIMES

The trend is likely to continue. "We are seeing quite a few companies make enquiries to raise bonds for the first time as they are looking to shore up their balance sheet and keeping

extra liquidity ready because times are going to be tough because of the pandemic," said Subramanian.

The total number of Covid-19 cases in India surpassed one million last week, with lockdowns continuing in major states. DBS has revised its growth forecast to a 6% contraction for the fiscal year ending March 2021, compared with its previous estimate of a 4.8% decline.

Some issuers are bulking up on fundraisings in the debt capital markets to free up bank borrowings, with a view to taking on more loans later on, said a DCM banker.

Since April last year, companies with outstanding long-term borrowings of over Rs1bn have been required by the Securities and Exchange Board of India to raise a quarter of their fresh financing needs through bonds.

There is decent demand from banks and mutual funds for good quality corporate paper, investors say.

"[Banks] are still parking about Rs6trn in the RBI's

reverse repo window which is yielding a mere 3.35%, hence many banks are now taking some duration and credit risk in the bond market to generate higher yield," said Pankaj Pathak, a fixed income fund manager at Quantum Asset Management. "Mutual funds have seen decent inflows into debt funds, mainly into schemes with high credit quality."

Large corporates are believed to have parked substantial amounts of cash with mutual funds recently, including Reliance Industries, which is flush with cash from multiple stake sales in mobile operator Jio Platforms. Reliance Industries declined to comment.

While the pipeline of debut deals has grown, there is still a long way to go before more lower-rated issuers tap the local debt market – excluding non-bank lenders, which have been active lately because of the various schemes announced by the Ministry of Finance and RBI.

"The divergence continues: lower-rated companies which are under stress and urgently need money are not able to raise funds," said Pathak at Quantum. ■

with a Bt4bn sale in early August and **DTAC TRINET**'s Bt7bn bond, which is scheduled for mid-September.

The strong deal pipeline has raised expectations that corporate bond issuance will reach at least Bt800bn in 2020. Although this would be down 20% from last year's record high of Bt1trn, bankers said last year was an exceptional one on the back of mega M&A financings. This year's projected volume, they said, would be in line with the more normal Bt879bn of corporate bonds issued in 2018.

Some issuers, however, still face a challenge in terms of funding costs, after the coronavirus pandemic led to a widening of corporate credit

spreads.

At the end of June, spreads of Triple A rated credits over government bonds had widened by 150bp since January, while those of Single A rated credits had moved out by 200bp. Triple B rated credits were hardest hit over the period as a flight to quality pushed spreads 396bp wider.

Bigger spreads were partly offset by sharp drops in Thai government bond yields, as the five-year yield has declined 47bp this year. This helped soften potentially steep increases in absolute yields for corporate bonds, which ultimately rose by 55bp–70bp across the rating spectrum, the TBMA's Ariya said.

While higher-rated issuers have been able to absorb this, high-yield and small and medium-sized issuers face the double whammy of higher borrowing costs and weaker investor demand. This has dented the refinancing plans of some 10 issuers, with Bt7.2bn of bonds outstanding, that had asked bondholders over the first half to extend maturities.

But concerns over potential defaults by cash-strapped issuers are now tempered by improving market conditions and moves by the government to increase support to this segment of the market.

"As the market sentiment is getting better and most new bonds are well subscribed,

there may be less need for those small companies to extend maturity," said Ariya.

The Capital Market Supervisory Board on July 9 approved regulations for asset management companies to set up high-yield bond funds to increase liquidity. Such funds would be an alternative investment product for high-net-worth investors who do not want to concentrate on individual bonds issued by high-yield companies.

This will be "a relief measure for debt issuers facing liquidity issues during the Covid-19 pandemic," according to a statement from the Securities and Exchange Commission. ■

Korean Won bonds rebound

■ **Bonds** BoK-backed note purchases have helped lower-rated issuers

BY JIHYE HWANG

South Korea's domestic bond market has reopened for lower-rated issuers on the back of government measures to mitigate the impact of the coronavirus pandemic, including a bond-buying programme backed by the central bank.

Bond sales from companies with domestic ratings of A or lower rebounded to W1.7trn (US\$1.42bn) in May and W2.4trn last month from just W0.2trn in April, according to Korea Financial Investment Association data. Higher-rated issuance bounced back earlier, rising to W4.8trn in April from March's low of W1.7trn.

"The government has actively engaged in injecting liquidity to the market and companies with strong fundamentals made the best out of it by pre-emptively raising funds against further uncertainties," said Lim Hyungjoon, senior research fellow for capital markets at Korea Institute of Finance.

"Despite the wider credit spreads, the absolute yield

levels are low and there is so much liquidity that companies which fail to raise funds in this kind of environment should be questioning their business model."

The Bank of Korea's corporate bond-buying

"The government has actively engaged in injecting liquidity to the market and companies with strong fundamentals made the best out of it by pre-emptively raising funds against further uncertainties."

programme came alongside a W40trn relief fund to support the country's backbone industries in late April. The measures were following up on a range of government policies in March that pumped in liquidity worth more than W100trn. Korea's central bank also cut its key interest rate by 50bp in March and lowered it again by 25bp in May to a

historic low of 0.5%.

The BoK's corporate bond purchases are similar to the US Federal Reserve's quantitative easing measures, but with a twist. Conducted through a special purpose vehicle, they primarily focus on firms with ratings of A to BBB, with W8trn of the W10trn initial capital provided through loans from the BoK. It is the first time the monetary policy committee of the central bank has agreed to lend to a commercial entity.

"The SPV is a relevant measure especially in terms of tackling the drop in issuance volume among companies with lower ratings, but the impact on the yield levels or credit spreads will be limited as the government is likely to manage the fund in a conservative manner," said Kim Pil-Kyu, senior research fellow for capital markets at KCMI.

The government has already announced that the SPV will buy low-rated corporate bonds at yields within 100bp of market rates. It will only purchase bonds from the primary market and not in secondary.

Credit analysts say the scheme would have been more effective had it been launched earlier, as investors are no longer remaining on the sidelines and are differentiating between individual credits, in general.

In June, for example, water utility TSKCorp's deal was three times covered, while property developer HDC Hyundai Development failed to meet its target issue size due to its plans to acquire Asiana Airlines, Korea's second largest carrier. Both firms have a domestic rating of A+.

Still, the bond purchasing programme will act as a buffer to counter potential rating downgrades in the second half that could strain the credit markets again.

Korean rating agencies release annual evaluations in the spring, so the impact from the virus was not well-reflected in the ratings announced this year, according to Lim.

"Companies may have gotten away from a possible rating downgrade or outlook revision at the start of the year, but this means there could be a more severe credit differentiation by investors in the second half when rating agencies review their outlook." ■

Aussie borrowing costs jump

■ **Loans** Cost of three-year loans spikes to six-year high amid pandemic

BY MARIKO ISHIKAWA

Australian companies are coming to terms with higher borrowing costs, as the country faces its first recession in almost three decades amid the coronavirus pandemic.

The average three-year loan margins have jumped to levels not seen for six years in 2020, according to Refinitiv LPC data. Investment-grade borrowers are paying an average of 143bp, up from 85bp in 2019, and speculative or unrated issuers 348bp, compared to 217bp last year.

A glut of financings from hard-hit sectors such as travel and energy have pushed average margins higher, but less-affected borrowers have also had to pay up as banks grow more risk averse.

"The cost of capital for the banks is more expensive, and that is going to be passed through to borrowers through increased margins," said Gavin

Chappell, head of syndications for Australia at ANZ.

"Should we have a broader global economic fallout and many more borrowers facing downgrades and defaults over

group Lendlease Group and flag carrier Qantas Airways are among those paying up to borrow from banks as their businesses have succumbed to virus-induced lockdowns and a

"Some transactions are being done on terms and conditions that you might think are aggressive, and then there are others where margins, pricing and terms and conditions seem overly generous to lenders."

the next six to 12 months, that will place a significant burden on banks' capital positions. This capital issue could have an impact on the banks' capital base and as such a bank's ability to lend, thereby impacting overall market liquidity."

Blue-chip companies such as energy retailer Origin Energy, construction and property

plunge in oil and gas prices.

Moreover, unrated or non-investment grade companies from sectors that are seemingly resilient to the pandemic such as telecoms, data centres and critical infrastructure maintenance operators – including Vocus Group, TPG Telecom, AirTrunk and Ventia – are also seeing their loan costs rise.

"There will no doubt be a level of caution from investors given differing views on the local economic outlook," said James Poulos, head of loan markets and syndications for Australia and New Zealand at MUFG.

"New client money may be harder to get hold of without an appropriate cost premium, as banks are focusing on existing key clients and defensive sectors."

Australia's A\$2trn (US\$692bn) economy shrank 0.3% in the first three months of 2020 as many businesses were forced to shut to contain the spread of the coronavirus. If the Australian Bureau of Statistics confirms another contraction in the second quarter – usually announced in September – it would mark the country's first recession since the early 1990s, ending the developed world's longest growth streak.

S&P estimates Asia Pacific

CAR Inc gets new white knight

■ **Equities/Bonds** Rating agencies welcome introduction of state-backed shareholder

BY CAROL CHAN

CAR INC matched up with a new white knight last week as state-owned **BEIJING AUTOMOTIVE GROUP** (BAIC) replaced Shanghai-listed SAIC Motor with a deal to acquire a major stake in the embattled car rental company.

CAR said on July 20 that Jiangxi Province Jinggangshan Beiqi Investment Management, in which BAIC owns a 40% stake, had agreed to buy a 28.91% stake from two of its major shareholders in a HK\$1.9bn (US\$245m) deal.

Jinggangshan Beiqi signed an offer letter with UCAR and Amber Gem Holdings to buy 613m CAR shares at HK\$3.10 each, with 442.66m shares to

be purchased from UCAR and 170.72m from Amber Gem. After the proposed deal, UCAR, which currently owns 20.87% of CAR, would no longer hold any shares in the company. Amber Gem, which is controlled by private equity firm Warburg Pincus, would hold 6.7%, down from 14.75%.

The plan has similar terms to those proposed by SAIC on July 2 before it terminated the proposed deal on July 20.

Rating agencies said the potential investment by BAIC's unit was credit positive for CAR and would help improve its liquidity profile.

Moody's on July 22 placed CAR's Caa1 corporate family rating and senior unsecured

rating on review for upgrade. It also changed the outlook to ratings under review from negative.

On the same day, S&P said its CCC long-term issuer credit rating on CAR and its CCC long-term issue rating on the company's senior unsecured notes remained on credit watch with positive implications, which is where they were placed on July 8.

CAR's shareholding structure has come under scrutiny since April following an accounting scandal at Luckin Coffee. CAR and the coffee chain are separate companies, but the market saw them as related because both were controlled by Chinese billionaire Lu

Zhengyao, who also controls UCAR. Lu resigned as CAR's chairman and non-executive director effective June 9.

Moody's said the review for upgrade reflects its expectation that the introduction of Jinggangshan Beiqi would improve CAR's funding access and weak liquidity profile, which is key to its business operations and ability to refinance US\$300m of notes due February 2021.

"Additionally, the change in shareholder could ease CAR's refinancing and reduce governance concerns associated with UCAR's shareholdership," said Gerwin Ho, a senior credit officer at Moody's.

The other two shareholders of Jinggangshan Beiqi are Jinggangshan Provincial Investment Group and Jiumu Ruiyuan (Beijing) Investment, which own 30% each.

will lose US\$2.7trn of economic output this and next year as a result of the pandemic, with GDP trends normalising in 2023 at the earliest.

“We expect most institutions in the region will show a multi-fold rise in credit losses and a sharp drop in earnings in the next two to three years due to the Covid-19 induced economic downturn,” said Sharad Jain, a credit analyst at the ratings firm.

REASSESSING RISK

Based on the current climate, non-bank lenders are also reassessing corporate pricing benchmarks and weighing appropriate risk returns.

“Some transactions are being done on terms and conditions that you might think are aggressive, and then there are others where margins, pricing and terms and conditions seem overly generous to lenders,” said Andrew Lockhart, managing partner for Metrics Credit Partners in Sydney. “That suggests to me that we haven’t got to a position where you’ve got enough consistency of transaction volume for the

market.”

Syndicated and club loan volumes in Australia bucked the downward trend seen in most major markets across Asia Pacific in the first half, rising nearly 20% year on year to US\$45.1bn, according to Refinitiv LPC data.

Refinancing, amendments and extensions drove the bulk of activity as borrowers sought to shore up liquidity amid the pandemic.

However, it remains to be seen whether Australia will be able to produce similar volume numbers in the second half given that most of the companies with urgent liquidity needs have already completed their fundraising plans in the first half.

“Demand for financing is very high, particularly in commercial real estate lending and event-driven acquisition finance transactions,” said Metrics’ Lockhart. “We see good deal flow and activity for a lot of private equity sponsors that have got a lot of capital and are looking to deploy that into opportunistic transactions.” ■

S&P said CAR may have better funding access when the investment is completed given the acquirer is state-backed and would become the largest single shareholder.

LINGERING UNCERTAINTY

It is still uncertain, though, whether the transaction will be completed as planned since this is UCAR’s third attempted divestment since the Luckin accounting scandal.

Amber Gem in April completed the purchase of a 4.65% stake in CAR by buying shares from UCAR at HK\$2.30 apiece, but it scrapped a conditional acquisition of a further 12.46% stake from UCAR at HK\$3.40 per share.

Research firm Lucrator Analytics is sceptical about whether BAIC’s acquisition will be finalised. “In our view, the transaction is some way

from completion,” senior credit analyst Trung Nguyen wrote in a note. “The key risk with CAR Inc remains the corporate governance issue, particularly with regard to the reliability of financial statements and operating metrics.”

CAR said the closing of the BAIC transaction is subject to a number of conditions, including the conclusion of a formal sale and purchase agreement and regulatory approvals.

In a separate filing on July 20, CAR said UCAR had received a notice from the China Securities Regulatory Commission on July 16 that it had opened an investigation “in connection with suspected violations of information disclosure laws and regulations by UCAR”. It said in the filing that the investigation has not restricted UCAR’s business and operations. ■

Lufax shuffles banks amid Ant rivalry

■ **Equities** Chinese fintechs both targeting IPO launches this year

BY FIONA LAU

Chinese online wealth management company **LUFAX** has revamped its line-up of IPO arrangers to avoid a clash with bigger rival **ANT GROUP**, according to people close to the two deals.

Lufax, which had planned to list in Hong Kong in 2018, is now working with *Bank of America*, *Goldman Sachs*, *HSBC* and *UBS* on a US deal that could

to Lufax.

Both mandates could change before the deals launch.

“Although Ant and Lufax are listing in different markets, both companies want to wrap up their listings by the end of the year. Issuers typically won’t be comfortable with banks working on deals from the same sector at the same time,” said a person with knowledge of the matter.

“Although Ant and Lufax are listing in different markets, both companies want to wrap up their listings by the end of the year. Issuers typically won’t be comfortable with banks working on deals from the same sector at the same time.”

raise at least US\$2bn later this year.

Apart from Goldman Sachs, none of these banks featured among the syndicate Lufax had hired for the Hong Kong IPO. The joint sponsors then were Citic Securities, Citigroup, JP Morgan, Morgan Stanley and Goldman Sachs, but the deal was postponed because of uncertainty over the regulation of consumer lending in China after rules were tightened to rein in the fast-growing sector.

Bankers said Citic and Citigroup had dropped off the deal some time ago, but JP Morgan and Morgan Stanley had stayed close to the company and had been expected to win senior roles in a US IPO.

JP Morgan is no longer working on the deal, and Morgan Stanley is expected to have a more passive role.

CICC, *Citigroup*, *JP Morgan* and *Morgan Stanley* are working on the Hong Kong leg of Ant Group’s dual listing, which is expected to fetch around US\$20bn on a similar timetable

Lufax declined to comment.

Lufax, a unit of Ping An Insurance Group, was valued at about US\$38bn in its previous fundraising round in 2018. Two people said the US IPO could raise at least US\$2bn though the valuation has not been discussed yet as the deal is still at an early stage.

One person said Lufax could raise up to US\$5bn if investors are willing to match its last round’s valuation.

Since calling off the Hong Kong listing in 2018, Lufax has exited its peer-to-peer lending business and transformed itself into a wealth management and retail lending company.

Lufax’s customer assets under management increased by 2.3% between January 1 and March 31 of this year to Rmb354bn (US\$50bn). Over the same period outstanding retail loans rose 9.5% to Rmb506bn.

Ant Group is the financial services affiliate of Alibaba Group and the parent of Alipay, China’s largest mobile payments business. ■

■ TOP STORY COVID-19

Return to work plans shelved in HK

Banks in Hong Kong ask all non-critical staff to work remotely

Banks in Hong Kong have ditched plans to bring most of their workforce back into the office, providing a useful guide to other parts of the world of the likely stop-start nature of return to work plans as the Covid-19 crisis plays out.

Banks in Hong Kong were previously ahead of most jurisdictions in bringing staff back to their main sites as the number of new daily Covid-19 cases in the special administrative region fell to the low single digits from mid-April onwards.

The recent spike in the number of daily cases, which reached a new high of 113 on Wednesday, has prompted banks to scrap their return to work plans and in most cases ask all non-critical staff to work remotely.

GOLDMAN SACHS, which gave the green light for all staff to return to the office at the end of June (although the number working from the office has been far lower), has again told its staff to work from home where possible.

Similarly, **UBS**, which previously had around 60% of its staff working from its main offices, saw that figure drop below 50% last week having sent a memo to all staff reminding them that the option to work remotely remained in place.

The bank is operating a three-tier system with the first tier, comprising those functions where working remotely is more challenging due to regulatory or technological requirements, such as trading, given priority.

Rival **CREDIT SUISSE**, which at one point allowed 50% of staff to work from the main sites, has asked businesses to reduce their

headcount working from the office with priority given to traders and other site-dependent functions.

CITIGROUP's Hong Kong and Macau CEO, Angel Ng, underscored the volte-face undertaken by banks in a fairly terse memo that was sent to all staff on Monday, asking all but those working in functions requiring access to the office to work remotely.

"We have started increasing our work-from-home ratio to 70% last week, but I want all of us to be extra cautious and prudent in the coming weeks," she said. "We must further reduce risk and safeguard the well-being of all of us."

TRADING CONUNDRUM

The abrupt change in Hong Kong is likely a harbinger of what is to come elsewhere with banks in other financial centres such as London and New York only in the early stages of returning staff to their main sites after the initial lockdown.

Bank CEOs have made a habit recently of pontificating about post-Covid working arrangements, although the recent change in work patterns in Hong Kong following a spike in new cases shows how they remain at the mercy of how the pandemic plays out, one source noted.

One silver lining throughout the pandemic has been that having the majority of staff working remotely has gone far more smoothly than had initially been feared with most bankers noting that there had been few glitches in the technology.

Investment bankers have grown

accustomed to virtual roadshows and online listing ceremonies at this point, although one banker noted that for new issuers not being able to meet face-to-face with investors was more challenging.

The biggest conundrum banks face in having staff work remotely is how to deal with the trading desk, as regulatory restrictions such as those around documenting client orders make working remotely tougher.

Most banks have responded by operating split teams with half the team working from their usual places of work and the other half working from recovery sites, although some have been working remotely.

Unusually, the Hong Kong regulator has won plaudits among traders for its flexibility. In March, the Securities and Futures Commission said it would allow traders to work remotely provided they sought permission and were able to record the relevant data.

The SFC went as far as allowing traders that are based overseas and not licensed by the Hong Kong regulator to carry out trades in Hong Kong if both the main sites and back-up offices were out of use.

The Hong Kong government even won praise after it announced that all SFC licence holders would be able to apply for a HK\$2,000 (US\$258) one-off payment as part of a suite of measures to support the city's financial services sector. When asked what he planned to do with his payment, one trader responded wryly: "short Tesla".

THOMAS BLOTT

Who's moving where...



■ **HSBC** has promoted *Franck Lacour* to global head of equities following the recent departure of equities chief *Hossein Zaimi*.

Lacour is head of HSBC's French markets business and will retain that role until a replacement is found. HSBC has also

appointed *Selene Chong* as deputy global head of equities and head of equities for Asia Pacific, based in Hong Kong.

Mehmet Mazi will also become co-head of securities financing in addition to his responsibilities as head of debt trading and financing.



■ **WESTPAC BANKING CORP** has hired *Anthony Miller* to head up its institutional banking division. Miller, who is due to start at the bank later this year, has served as Deutsche's Australia and New Zealand CEO for the past three years. He was previously a partner in Goldman

Sachs' financing group. Australia's number two lender hired KPMG partner *Michael Rowland* only last week as chief financial officer and has been adding to its executive ranks following a string of departures resulting from a money laundering scandal.

Banks scrutinise Hong Kong clients

Global wealth managers are examining whether their clients in Hong Kong have ties to the city's pro-democracy movement, in an attempt to avoid getting caught in the crosshairs of China's new national security law, according to six people with knowledge of the matter.

Bankers at **CREDIT SUISSE**, **HSBC**, **JULIUS BAER** and **UBS**, among others, are broadening scrutiny of politically exposed persons and subjecting them to additional due diligence requirements, these people said.

The checks at some wealth managers have involved combing through comments made by clients and their associates in public and in the media, and social media posts in the recent past, these people said. The new law prohibits what China describes broadly as secession, subversion, terrorism and collusion with foreign forces, with offenders facing up to life in prison.

The sources, who requested anonymity because of the sensitivity of the situation, said the broadened scrutiny of clients also applied to Hong Kong and Chinese officials who had implemented the law in anticipation of any US sanctions against them.

One banker at a global wealth manager that holds more than US\$200bn of assets said the audit of its clients could go back as far as 2014 in some cases to gauge a client's political stance during Hong Kong's 2014 pro-democracy "umbrella" movement.

Reuters did not learn the identities of any people who had faced enhanced scrutiny or whether the banks had decided to take any action against people identified as politically exposed.

Albert Ho, a veteran Hong Kong democrat who runs a law firm and helps

organise an annual candlelight vigil to commemorate victims of the June 4 1989 Tiananmen Square crackdown, said he feared that people like him may face "difficulties in the times to come".

"There's not much you can do, actually, unless you cease all your financial and banking activities in Hong Kong," Ho said, adding he had not faced additional scrutiny from his bank as of last week. He declined to disclose the name of his bank.

HSBC declined to comment specifically on the security law or any US move to sanction local officials. In an emailed statement, it said, "we already have a stringent set of policies and rigorous processes in place which we apply globally."

Credit Suisse, Julius Baer and UBS declined to comment.

Last Wednesday, pro-democracy leader Joshua Wong wrote on Facebook that he had received an enquiry from HSBC about royalty income from his latest book. It was the first call of this kind he had received since he opened the bank account more than 10 years ago, he said.

BANKS IN FOCUS

Global banks have long examined the backgrounds of their clients. Politicians, government officials and senior executives at state-owned enterprises, as well as their family members, are typically considered politically exposed persons.

The rules are meant to enforce laws such as international sanctions and to prevent people from using the banking system to launder ill-gotten wealth.

The banks' move to subject supporters of Hong Kong's democracy movement to a similar review comes at a time when

the stance of some firms on the Chinese law has drawn scrutiny from Western lawmakers and activists.

HSBC and Standard Chartered, which have expressed support for the national security law, for example, have faced criticism from UK officials that their actions enable Beijing to undermine the rule of law in the former British colony.

Some wealth managers in Hong Kong say they are worried about regulatory and reputational risks if charges under the sweeping security law are brought against some of their politically exposed clients, three of the sources said.

A top executive at a regional wealth manager said that his firm's risk and compliance team prepared a list of the top 10 Hong Kong individuals identified in local media as pro-democracy sympathisers within a couple of days of the enactment of the law on July 1, the anniversary of the handover.

The executive said the firm checked if it had existing relationships with any of them and was "quite relieved" to see that it did not.

Several elements of the law deal with the seizure of assets, including provisions to give a new police unit greater powers to freeze and confiscate funds and property as well as greater powers to obtain information. Companies can also face penalties, ranging from fines and suspension to the loss of business licences.

One investment manager at a Hong Kong-based hedge fund said he expected more people to come under scrutiny from their bankers now. "I think that if even a moderate democrat came through the door wanting to invest, you'd be thinking long and hard after this law," the fund manager said.

SUMEET CHATTERJEE, JAMES POMFRET, GREGORY TORODE

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AMINVESTMENT BANK

chief executive
Seohan Soo has left the bank.

Soo, who is on gardening leave, is succeeded by his deputy, *Tracy Chen*, on an interim basis. Soo was appointed CEO of AmlInvestment Bank two years ago having previously been an executive

vice president in its capital markets group. He previously worked at HSBC. Chen joined AmlInvestment Bank only three months ago having worked at CIMB Bank for close to two decades, most recently as co-deputy head of Malaysia for the senior bankers group.



HONG KONG

EXCHANGES AND CLEARING has hired *Janice Wu* to co-head its IPO vetting team. Wu, who is currently deputy general counsel for private equity firm TPG Asia, will have oversight of all listing applications alongside her fellow co-head Stephanie Lau.

Lau, who was only appointed to her current role in May, has served as sole head in recent weeks following the resignation of previous co-head Lin Shi. HKEx also said it had appointed *Karen Lok* as head of listing compliance. She was most recently with PwC.

Sebi calls for bond reforms

India's top securities regulator last week called for further reforms to deepen the corporate bond market but ruled out a relaxation of pricing rules on institutional share placements.

Ajay Tyagi, chairman of the **SECURITIES AND EXCHANGE BOARD OF INDIA**, at FICCI's virtual Capital Market Conference on July 22 said that the bond market should be top of the agenda for policy makers considering the problems facing the banking sector.

"There is a dire need to move down the rating curve," said Tyagi, who called for greater integration of India's corporate and government bond markets.

The Sebi chairman, however, dismissed calls for a review of the maximum discounts allowed on qualified institutional placements, despite pressure from market participants.

"It is not on our radar," said Tyagi, who said share prices had fallen considerably from their highs so there was no immediate need for further concessions.

Sebi has taken several small steps to help companies access capital since the Covid-19 outbreak. It has extended approval periods for IPOs, granted issuers more flexibility over the size of their financings, lowered size thresholds for rights issues and eased pricing rules for preferential share issues.

Tyagi stressed the need for more participants in the bond market, especially institutional investors. Mutual funds are the major investors, driving 40% of volumes, hence illiquidity hits them the most, he said.

India's bond market is open to only

a limited number of companies, with issuance and trading restricted to top-rated issuers. Around 97% of trading in the domestic bond market is in securities with local ratings of AAA, AA+ and AA, compared to 5% in the AAA and AA buckets in the US.

India's central bank and finance ministry have introduced repo schemes and partial credit guarantees to improve liquidity in the bond markets, but progress has been slow and investors remain risk-averse.

Banks are facing an unprecedented surge in stressed assets as a result of the Covid-19 crisis. S&P expects bad assets to reach 13%-14% of outstanding loans by March 2021, up from 8.5% at the end of the last fiscal year.

QIP HOPES

Banks have been asking Sebi to ease pricing rules on institutional share placements to make it easier for companies to raise capital.

Under the current rules, Indian issuers are allowed to offer a discount of no more than 5% to the floor price, defined as the average price of the stock in the previous two weeks. That formula makes it effectively impossible for companies to complete a deal in a falling market.

QIPs are popular with issuers looking to raise primary capital because they can be completed overnight, giving them more flexibility over timing and a narrower discount than would be possible in an extended public offering. Association of Investment Bankers of India data shows that so far this year issuers have raised

Rs204bn (US\$2.72bn) from QIPs versus Rs352bn in 2019.

Sebi's pricing rules, however, have come under fire after equity issuance ground to a halt during the Covid-19 outbreak. There were no major primary share offerings in India in the whole of April, in contrast to a multi-year spike in many other markets as companies rushed to raise capital. Regulators elsewhere – notably in China – have relaxed similar pricing restrictions since the pandemic hit.

Most big equity issues since then have been structured as rights or follow-on offerings, where companies can offer – and investors expect – wider discounts. Reliance Industries' Rs531bn rights issue priced at a 14% discount, Mahindra and Mahindra Financial Services' Rs31bn rights issue at a 76% discount and Yes Bank's Rs150bn follow-on offered a 55% discount.

Meanwhile, Tyagi said India needed to do more to establish a continuous yield curve for government securities. Domestic corporate bonds are benchmarked to the G-sec curve and trading in government securities is mostly concentrated in the seven to 10 years bucket.

The Sebi chairman also endorsed a credit enhancement mechanism to allow infrastructure companies to issue lower-rated bonds to ease pressure on the banks.

Sebi is also looking at policy options to help the corporate bond repo market, including a central clearing facility for tri-party repo trades.

The regulator has also initiated a proposal to allow alternative investment funds to directly purchase stressed loans from lenders.

KRISHNA MERCHANT, ANURADHA SUBRAMANYAN



Japan urges speedier work on Libor transition

With just a year and a half to go before the end of Libor, Japan's **FINANCIAL SERVICES AGENCY** and the **BANK OF JAPAN** are calling on banks to accelerate their preparations.

According to a survey released last week, 70% of financial institutions have not yet formed a working group to deal with the transition, and major Japanese banks have a large exposure to the interest rate.

From October to December last year, the regulators surveyed 278 financial institutions operating in Japan to assess their preparedness. These included big banks, regional and foreign banks, securities firms, insurers and specialised banks.

While all major banks and foreign securities firms have set up a project team or working group, many insurers, domestic securities firms and regional banks have not.

Notably, many institutions have not finished upgrading their IT systems. Almost 80% of respondents who said development is under way said the work is scheduled to be completed in 2021, with 50% expecting completion in the second half of that year.

Major Japanese banks have a large exposure to Libor both as lenders and borrowers.

As of end-June 2019, lenders' exposure to Libor was about ¥164trn (US\$1.53trn), borrowers' exposure about ¥35trn and exposure through derivatives about ¥630trn. Of those, 50%-60% extend beyond the end of 2021 – ¥97trn, ¥17trn and ¥320trn, respectively.

About 60% of the exposure of both lenders and borrowers is held by major Japanese banks. Japanese securities firms have the largest exposure to derivatives, followed by big Japanese banks and foreign securities firms.

Given their finding that only a small number of Libor-related contracts have a provision to fall back on a replacement rate, the FSA and BoJ said they hope the provision will be included in more contracts.

The authorities urged banks to take the necessary steps to ensure a smooth transition from Libor, even as some financial institutions urgently need to allocate resources to provide funding support to Japan's corporate and household sectors because of the spread of the coronavirus.

TAKAHIRO OKAMOTO

Goldman agrees 1MDB settlement

GOLDMAN SACHS has reached a US\$3.9bn settlement with the Malaysian government over its involvement in the 1MDB scandal, the US investment bank and Malaysia's Ministry of Finance said in separate statements on Friday.

The settlement comprises a cash payment of US\$2.5bn from Goldman and a guarantee by the bank that Malaysia recovers at least US\$1.4bn in assets linked to the 1MDB bonds that have been seized by governments around the world. Goldman will also assist Malaysia in appointing an asset recovery specialist to recover other related assets lying outside Malaysia.

"We are ... glad to be able to resolve this outside the court system, which would have cost a lot of time, money and resources. With this settlement, we will have the return of the monies expedited, and not held up by lengthy and costly court battles and legal process," Malaysia Finance Minister Tengku Zafrul Aziz said.

Goldman said in its statement that Malaysia had agreed to withdraw all criminal charges against the firm as well as its current and former executives (although it noted this did not include its former employees Tim Leissner and Roger Ng).

The South-East Asian nation had charged 17 current and former directors of Goldman units for allegedly misleading investors over bond sales totalling US\$6.5bn that the US bank helped raise for the sovereign wealth fund.

Malaysia also charged three Goldman units, based in London, Hong Kong and Singapore, for misleading investors by

making untrue statements when arranging the three bond offerings.

Leissner, a former Goldman partner responsible for managing the relationship with 1MDB when it issued the bonds in 2012 and 2013, pleaded guilty to charges in the US of conspiring to launder money and conspiring to violate the Foreign Corrupt Practices Act.

Meanwhile, Ng pleaded not guilty in the US to conspiring to launder money and bribe government officials in Malaysia and Abu Dhabi through bond offerings that Goldman handled.

Goldman has consistently claimed that it was misled by Leissner and that certain members of the former Malaysian government and 1MDB lied to it about how proceeds from the bond sales would be used. The US Department of Justice has said around US\$4.5bn was misappropriated from 1MDB.

"Today's settlement is an important step towards putting the 1MDB matter behind us and will help enable the Malaysian government to move forward with additional recovery efforts and to execute on its economic priorities," Goldman said.

"There are important lessons to be learned from this situation, and we must be self-critical to ensure that we only improve from the experience."

Goldman also said it expects to "materially increase" its provisions for litigation and regulatory proceedings for the second quarter. In January, the bank set aside an additional US\$1.1bn for a potential settlement with Malaysia over the 1MDB scandal.

THOMAS BLOTT

ACCC grilled in cartel case

An Australian regulator said on Monday it deleted parts of a witness statement showing **CITIGROUP** and **DEUTSCHE BANK** tried to follow the rules in a stock issue at the centre of Australia's biggest white-collar criminal lawsuit.

Under questioning from a lawyer for Deutsche, Australian Competition and Consumer Commission senior official Jane Lin told a pre-trial hearing in Sydney she did not know why the material was deleted.

Lin was shown a **JP MORGAN** draft witness statement, which included suggestions the banks were concerned about disrupting an orderly market if they dumped their unsold shares simultaneously. The final signed

statement excluded the remarks.

In June 2018, the ACCC charged underwriters Citigroup and Deutsche, issuer **AUSTRALIA AND NEW ZEALAND BANKING GROUP** and six current and former bankers with criminal cartel conduct over a A\$2.5bn (US\$1.8bn) share issue in 2015. JP Morgan, the third underwriter on the deal, was granted immunity in exchange for cooperation.

The case centres on 25.5m ANZ shares that were left unsold in the bank's share placement. ANZ plus underwriters Citigroup and Deutsche are accused of colluding to withhold unsold shares and keep the stock from falling.

BYRON KAYE

IN BRIEF

Shanghai Stock Exchange New SSE index includes Star names

The Shanghai Stock Exchange has revamped its **SSE COMPOSITE INDEX** to include stocks from the Star market for the first time, while also launching a new **STAR 50 INDEX**, as it marks the first anniversary of the Nasdaq-style board. The first batch of 25 stocks that started trading on the Star market on its launch date of July 22 2019 has been included in the SSE Composite Index.

Meanwhile, companies that have been listed on the SSE Composite for less than a year and are designated "ST" (special treatment) or "ST" because they have had losses for at least two consecutive years will be eliminated from the index. As a result, 99 ST stocks with a total market capitalisation of Rmb280bn (US\$39.9bn) will fall out of the index. Newly listed stocks ranked in the top 10 on the SSE in terms of average daily market value can be included in the index three months after they start trading. Other stocks will be eligible one year after they have listed. Stocks such as Postal Savings Bank of China, Beijing-Shanghai High Speed Railway and Chongqing Rural Commercial Bank, which have been listed for less than a year and have not ranked in the top 10, will be removed from the index.

The Star 50 benchmark, which has a base date of December 31 2019 and a base level of 1,000 points, closed at 1,497 on July 22, the first day it was released.

New Star-listed stocks can be included in the index six months after a listing, though this will be extended to as long as 12 months once the Star board has 100–150 stocks that have been listed for one year. The SSE will make exceptions for stocks with a large market capitalisation.

Tomorrow Holdings Regulators seize affiliates

Chinese conglomerate **TOMORROW HOLDINGS** has lashed out at a move by regulators to seize nine of its affiliated financial firms. Its statement came a day after Chinese financial regulators announced that they had taken over for one year the brokerages, trust companies and insurers linked to the embattled group.

Tomorrow Holdings said it had been actively moving forward with asset disposals, which the surprise takeover had disrupted, that none of the institutions had faced liquidity risks or group protests from investors, and that regulators had exaggerated risks.

"With tight regulation limiting the firms' business development, each institution still managed to operate normally," the statement said. "However, they were flagrantly announced to be taken over. What is the purpose of that?"

Tomorrow Holdings questioned the motives of the regulators.

"The regulators have been pushing hard on the takeovers, so some of them can become corporate executives to delay their retirement. How much trade-off of fortune and power is behind this?" it said.

The regulators could not immediately be reached for comment.

On Friday, the China Banking and Insurance Regulatory Commission cited business violations in its takeover of **TIANAN PROPERTY INSURANCE CO OF CHINA**, **HUAXIA LIFE INSURANCE**, **TIANAN LIFE INSURANCE** and **YI'AN P&C INSURANCE**, as well as **NEW TIMES TRUST** and **NEW CHINA TRUST**.

The China Securities Regulatory Commission, meanwhile, said it had seized control of **NEW TIMES SECURITIES**, **GUOSHENG SECURITIES** and **GUOSHENG FUTURES**, accusing the firms of concealing shareholder information, among other violations.

Tomorrow's statement was quickly replaced with a message from the WeChat Official Accounts Platform Operation Centre saying that the content "violates regulations".

People's Bank of China Push to unify bond markets

China will connect its interbank and exchange bond markets, the People's Bank of China said on July 18.

Qualified investors will be allowed to buy and sell bonds traded in each other's markets via a "connect" mechanism, the PBoC said in a statement.

The interbank bond market, which is supervised by the central bank and dominated by banks, is much larger than the exchange bond market in terms of issuance and trading volumes.

The exchange bond market is regulated by the China Securities Regulatory Commission and counts investors such as brokerages, investment funds and individuals as participants.

By end-2019, the total value of China's outstanding bonds had reached Rmb99.1trn (US\$14.13trn), with interbank bonds accounting for Rmb86.4trn, or 87.2% of that total, according to central bank data.

In 2018, China's central bank pushed to unify bond rating qualifications in the interbank and exchange bond markets, the first step towards breaking the barrier between the two markets.

Securities Association of China Brokers probed over underwriting fees

China's securities industry association has launched an investigation into a bond underwriting deal involving eight brokerages after complaints over low underwriting fees. The Securities Association of China said in a statement that the low underwriting fees for a recent bond sale by **CHINA NUCLEAR FINANCE LEASING CORP** raised eyebrows among market participants.

The association warned of "self-disciplinary measures" if the brokerages – including *Guotai Junan Securities*, *Haitong Securities*, *China International Capital Corp* and *Citic Securities* – were found to have violated rules in pitching for the underwriting business.

The eight brokerages bid for the underwriting business, and China Nuclear Finance on June 24 selected *Guotai Junan* and *Citic Securities* as underwriters, who agreed to charge the issuer fees at rates of 0.015% and 0.01% respectively, the official Shanghai Securities News reported on Monday.

The other brokerages being probed are *Ping An Securities*, *Shenwan Hongyuan*, *TF Securities* and *China Securities*, according to the association.

APRA Reassurance on bank capital ratios

Australia's top banking regulator has sought to assure the country's largest banks that they will not be required to increase their capital ratios suddenly in the future following its decision to suspend its "unquestionably strong" targets earlier this year.

The Australian Prudential Regulation Authority said in March it was no longer requiring the country's four largest lenders – **AUSTRALIA AND NEW ZEALAND BANKING GROUP**, **COMMONWEALTH BANK OF AUSTRALIA**, **NATIONAL AUSTRALIA BANK** and **WESTPAC BANKING CORP** – to maintain a 10.5% common equity Tier 1 ratio in order to reduce the impact of the economic shock brought about by Covid-19.

In a speech last Wednesday to the Trans-Tasman Business Circle, a business lobby, APRA Chair Wayne Byres said the prudential regulator wanted to avoid creating a "capital cliff-face" by asking banks to return to a minimum 10.5% CET1 ratio too soon once the economic impact of Covid-19 starts to fade.

Three of Australia's top three banks – ANZ, NAB and Westpac – halted or slashed their dividends following APRA's guidance, resulting in a total reduction in payments distributed to shareholders of more than A\$7bn (US\$5bn). CBA, which operates on a different financial calendar to the other big four lenders, is due to unveil its dividend payout on August 12.

AUSTRALIA

DEBT CAPITAL MARKETS

» SCARCITY AND YIELD BOOST EFIC

EXPORT FINANCE AUSTRALIA, also known as Export Finance and Insurance Corp, rated AAA (S&P), raised A\$650m (US\$465m) last Wednesday from a sale of 3.5-year fixed-rate notes.

EFIC's first issuance in over two years – since a A\$130m 10.5-year print in April 2018 – benefited from scarcity demand and a handy yield pick-up over the sovereign curve.

The notes, which enjoy an explicit government guarantee, are RBA repo-eligible and qualify as rare Level 1 high-quality liquid assets.

This leaves low liquidity as the only significant drawback relative to Commonwealth government bonds.

The 0.515% January 29 2024s priced at par, at the tight end of the EFP (three-year futures) plus 20bp–23bp guidance range and 17.85bp over the April 2024 ACGB.

CBA, Citigroup and UBS were joint lead managers for the offering from Australia's export credit agency which attracted an order book in excess of A\$1.26bn at final pricing.

Australian investors bought 85% of the bond with Asia taking 9% and others 6%. Asset managers and insurance companies were allotted 44%, official institutions 28%, banks 25% and others 3%.

» TCorp GOES SHORT FOR A\$2BN

NEW SOUTH WALES TREASURY CORP, rated Aaa/AAA (Moody's/S&P), received a strong response for last Friday's rare short-dated floating-rate note offering from a state issuer.

A A\$2bn tap of the October 9 2023s, which increased the size of the line to A\$3.67bn, priced at 100.603, at the tight end of three-month BBSW plus 20bp–22bp guidance.

ANZ and CBA were joint lead managers for the syndicated reopening which attracted A\$2.749bn of bids at the final price.

Australian investors took 95% and Asia 5%. Bank balance sheets dominated with a 86% allocation, while asset managers bought 10% and official institutions 4%.

Bank balance sheets have built up a lot of cash from increased deposits and maturing bonds and TCorp provided a rare opportunity to invest in this part of the curve in this format, with state governments having recently focused on long-dated fixed-rate issues.

TCorp also increased its 3% February 20 2030 bond by A\$300m last week via a Yieldbroker tender at spreads between 47bp and 47.5bp over the December 10-year bond futures contract.

TCorp, like Treasury Corp of Victoria, has thus far retained its Triple A ratings from both Moody's and S&P.

Last week Moody's reported that Australia's states are planning to spend A\$50bn in response to the coronavirus crisis which will greatly increase their debt levels in 2021, particularly across the Eastern states.

Moody's said it expects states to maintain their resolve to contain spending and implement additional budgetary redress measures once the outbreak has been addressed.

"Although states have entered the coronavirus crisis from positions of relative fiscal strength, the ability of each state to consolidate its financial strength before

UBS Australia cashes in on locals' absence

■ Bonds Lack of major bank supply continues to boost financial issues

UBS, AUSTRALIA BRANCH (Aa3/A+/AA–) became the latest beneficiary of the lack of supply from major banks as it brought the largest financial transaction since the coronavirus outbreak began in Australia.

Last Thursday's three-part sale of senior unsecured MTNs raised an impressive A\$2.75bn via joint leads ANZ, CBA, NAB, UBS and Westpac, with all tranches pricing well inside guidance.

There has been no Australian major bank issuance in senior unsecured format since January 13, thanks mainly to the Reserve Bank of Australia's A\$90bn Term Funding Facility, which provides funding for three years at a fixed interest rate of just 0.25%.

"The absence of major bank senior unsecured issuance leaves much liquidity looking for a home, a dynamic that names like UBS, with an established local footprint and Australian dollar issuance track record, are well placed to benefit from," said Tim Galt, head of Asia-Pacific DCM syndicate at UBS.

A A\$1bn three-year floating-rate note attracted a final order book of more than A\$1.23bn and was priced at three-month BBSW plus 67bp, inside guidance in the 75bp–80bp area.

A A\$1.25bn five-year FRN secured orders in excess of A\$2.2bn and priced tighter than guidance in the 95bp–100bp area at three-month BBSW plus 87bp.

A A\$500m 1.2% fixed-rate five-year note, with more than A\$925m of orders, priced at 99.988 to yield 1.2025%, 87bp wide of asset swaps.

Australian investors bought 87% of the three-year floater with Asia taking 11% and EMEA 2%. Banks picked up 66%, asset managers 27%, middle market accounts and private banks 6% and others 1%.

For the five-year FRN, Australia took 87%, Asia 12% and EMEA 1%. Asset managers took 50%, banks 26%, official institutions 16%, middle market accounts and private

banks 7% and others 1%.

Australian investors bought 68% of the fixed-rate five-year, Asia 26%, EMEA 5% and others 1%. Asset managers received 57%, banks 37%, middle market accounts and private banks 5% and others 1%.

Pricing compares with the current hypothetical clearing rate for three and five-year major bank notes of around 50bp and 68bp, according to syndication desks.

Pricing was wide of UBS's US dollar curve and comparable with its euro curve, according to Galt.

Since the market reopened in April, the Australian branches of Credit Suisse, SMBC and SocGen have raised A\$1.75bn, A\$2.4bn and A\$600m in senior unsecured format, while BPCE, Canadian Imperial Bank of Commerce and DBS Group have issued A\$650m, A\$800m and A\$730m of senior unsecured Kangaroos.

JOHN WEAVERS

Pioneer Credit extends standstill

■ Loans Borrower finalising refinancing of senior debt

PIONEER CREDIT has extended the standstill agreement on a loan provided by an entity of private equity giant Carlyle Group to August 14 from July 17 as the company finalises the proposed refinancing of its senior debt facilities.

The extension from *Project Robin*, an entity of Carlyle, has taken effect and was subject to satisfaction of certain conditions precedent.

Under the standstill agreement entered in May, *Project Robin* will not take any action on any anticipated or subsisting default under the loan.

While the proposed refinancing of Pioneer's senior debt facilities has been progressing, the process to date has taken longer than anticipated, the company said in a filing to the Australian Securities Exchange last Monday.

The extended agreement now provides, among other things, the ability for Pioneer to

recommence its debt purchasing programme within agreed parameters.

Pioneer requests the current suspension of its shares remain in place until it announces the completion of its refinancing exercise or August 17, whichever is the earliest.

In April, Pioneer terminated its proposed leveraged buyout from Carlyle and has started discussions with other parties for alternative proposals as well as lenders to refinance existing debt.

Pioneer and Robin BidCo had signed the deal under which the latter was to acquire 100% of Pioneer's fully diluted shares outstanding for A\$1.82 per share.

In December, Carlyle was also in discussions to replace Pioneer's senior debt facilities as part of the proposed LBO, which was valued at A\$288m (US\$201m).

In late June, the company announced a juicy 200bp increase to the pricing of a

A\$40m subordinated debt as part of an amendment and extension exercise.

The proposed A&E of the medium-term notes includes increasing the margin to 7.25% per annum from 5.25% and extending the maturity by 12 months to March 22 2023.

The company is also seeking to amend and increase the total net debt-to-loan book value ratio covenant to 82.5% from 70% until March 31 2022 before reducing to 77.5% thereafter, and to revise optional redemption dates that Pioneer can exercise at face value at the end of each quarter.

Noteholders will receive a consent fee of 50bp for the outstanding principal amount of each note if they vote in favour of the required circulating resolution, subject to the passing of the resolution and successful closing of the senior debt replacement funding package.

MARIKO ISHIKAWA

the next shock will largely depend on its ability to contain further outbreaks, while minimizing the disruption to economic activity from lockdowns," according to the report.

► PORT OF BRISBANE EXTENDS CURVE

PORT OF BRISBANE, acting through financing entity QPH Finance, rated BBB (S&P), raised A\$500m from a heavily oversubscribed seven and 10.5-year senior secured MTN offering last Wednesday.

Port of Brisbane has been largely unscathed by the coronavirus pandemic, beyond a small decline in trade flows during the February-May period.

Its revenue in the first 11 months of the 2019-20 fiscal year actually rose slightly versus the same period a year earlier, noted Peter Block, head of corporate origination at lead manager Westpac.

"What's not to like about Port of Brisbane? It's a defensive, well-diversified, high-quality business with strong Triple B credit metrics and a history of successfully issuing in the Australian dollar market," Block said.

In addition to its trading operations, Port of Brisbane has a large property portfolio, which it leases out to businesses around the port.

Lead managers ANZ, MUFG and Westpac secured a combined order book of more than A\$2.75bn, 57% of which was drawn by the longer-dated offering.

This demand enabled the leads to price the A\$200m 2.30% seven-year and A\$300m 2.85% 10.5-year notes well inside 210bp area and 240bp area guidance at asset swaps plus 180bp and 205bp, flat or slightly wide of its existing curve.

Asset managers bought 75% of the seven-year, with banks buying 15%, middle market accounts 4%, private banks 3% and others 3%. Local accounts were allotted 77% and offshore buyers 23%.

Asset managers took a larger 83% chunk of the 10.5-year, banks and private banks 8%, insurance companies 5% and others 4%. Domestic investors took 85% and offshore investors 15%.

Port of Brisbane previously sold A\$250m of seven-year MTNs in May 2016 and a A\$200m seven-year print in June 2014. Its debut A\$300m seven-year MTN, issued in July 2013, matures on July 29.

► CENEXP NETS A\$100M FROM EMTN

CENTRAL NIPPON EXPRESSWAY, a wholly owned subsidiary of the Japanese government and rated A1/AA+/AAA (Moody's/R&I/JCR), priced a A\$100m 1.06% five-year Reg S bond inside 70bp area guidance last Tuesday at mid-swaps plus 68bp.

Mizuho and SMBC Nikko were joint lead managers for the expressway and toll-road operator which previously issued a A\$350m 1.873% five-year Reg S bond last September at mid-swaps plus 80bp.

Central Nippon Expressway builds, maintains, and manages expressways in Japan, including the Tokyo metropolitan area.

► AUSGRID PLANS LOCAL RECONNECTION

AUSGRID FINANCE, rated Baa1/BBB (Moody's/S&P), has mandated MUFG, NAB and UBS to arrange investor update calls on July 27 for a potential 6.5-year fixed rate and/or shorter-dated floating rate Australian dollar senior secured bond offering.

The Australian energy infrastructure company debuted in the local market in October 2017 with a domestic corporate record A\$1.2bn dual-tranche seven-year MTN issue.

The New South Wales government holds a 49.6% interest in Ausgrid, while a consortium of IFM Investors and AustralianSuper controls the remaining 50.4%.

STRUCTURED FINANCE

► RESIMAC CONFIRMS MARGIN SPIKE

Non-bank lender **RESIMAC** priced a A\$1bn (US\$709m) non-conforming RMBS last Thursday that underlined the higher margins required, especially for subordinated tranches, amid the Covid-19 pandemic.

AFG tweaks structure to raise A\$700m

■ Structured Finance Mortgage broker broadens investor pool to print its largest RMBS

AUSTRALIAN FINANCE GROUP sold its ninth and biggest prime RMBS offering last Wednesday with the upsized, no-grow A\$700m (US\$500m) **AFG 2020-1 TRUST**.

NAB was arranger and joint lead manager with ANZ for the deal which had an indicative issue size of A\$350m.

The deal benefited from several structural tweaks that served to broaden the investor base, with more than a quarter of participating investors being first-time buyers of AFG paper.

Over two-thirds was allocated to real money accounts and domestic investors received around two-thirds of the notes with the balance going to offshore investors.

Among the attractive features was the inclusion of both fast pay and slow pay Class A notes, which appealed to different pools

of liquidity, and a three-year call option to mitigate weighted average life extension risk.

Larger-than-normal 12.5% credit support for the Class A1 notes and the absence of any Covid-hardship borrowers within the mortgage pool provided additional comfort to investors.

The A\$230m Class A1S and A\$382.5m Class A1L notes, with respective WALs of 0.9 and 2.9 years, priced 95bp and 145bp wide of one-month BBSW.

The A\$49m Class AB, A\$20.4m Class B, A\$7.6m Class C, A\$4.2m Class D and A\$2.8m Class E notes, all with 3.0-year WALs, priced at one-month BBSW plus 205bp, 250bp, 320bp, 410bp and 650bp, while the A\$3.5m Class F notes were retained.

The A1 notes have 12.5% credit support,

while the AB to E notes have respective support of 5.5%, 2.59%, 1.5%, 0.9% and 0.5%.

Australian Finance Group, one of the country's largest mortgage broking groups, issued its eighth prime RMBS offering last October, with the A\$500m AFG 2019-2 Trust.

The A\$450m Class A notes with a 2.7-year WAL priced at one-month BBSW plus 115bp or 30bp tighter than the latest comparable tranche.

The 2019-2 Class AB, B, C, D and E notes, all with longer 4.5-year WALs, priced 175bp, 205bp, 250bp, 375bp and 575bp wide of one-month BBSW or 30bp, 45bp, 70bp, 35bp and 75bp inside the equivalent margins this time around.

JOHN WEAVERS

Macquarie and NAB were arrangers and joint lead managers with CBA, Deutsche Bank and Wells Fargo for the **RESIMAC BASTILLE TRUST SERIES 2020-1NC**, which had an indicative issue size of A\$500m.

The A\$250m of Class A1 and A\$500m of Class A2 notes, with respective weighted average lives of 0.57 and 2.9-years, priced 95bp and 165bp wide of one-month BBSW.

The A\$110m of Class AB notes, with a 2.9-year WAL, priced inside guidance in the 200bp–210bp area at one-month BBSW plus 190bp.

The A\$66.5m of Class B, A\$27m of Class C and A\$18.8m of Class D notes, all with 3.43-year WALs, priced 290bp, 390bp and 515bp over one-month BBSW. The A\$11.6m of Class E notes, with a 3.2-year WAL, priced at one-month BBSW plus 850bp.

The transaction was completed by A\$3.6m of Class F and A\$12.25m of Class G notes.

The A1 and A2 notes have 25% credit support, while the AB to E notes have respective support of 14%, 7.3%, 4.6%, 2.72% and 1.56%.

Resimac previously issued non-confirming RMBS last October with the A\$1bn equivalent dual-currency Resimac Bastille Trust Series 2019-1NC.

The Class A2 notes, with a 2.7-year WAL, priced 130bp over one-month BBSW, or 35bp inside the latest comparable tranche.

The 2019-1NC Class AB, B, C, D and E notes, all with longer 4.1-year WALs, priced at one-month BBSW plus 180bp, 210bp,

290bp, 390bp and 590bp, or 10bp, 80bp, 100bp, 125bp and 260bp tighter than the equivalent new notes.

SYNDICATED LOANS

■ MMG MINES SHAREHOLDER LOAN

Australia-based miner **MMG** has obtained a US\$300m revolving credit facility from the company's major shareholder, state-run China Minmetals, to replace an existing revolver of the same size which was due at the end of the year.

The new low-cost short-term line of credit will mature in December and is available for general corporate purposes, MMG said in a filing to the Hong Kong stock exchange last Thursday.

The previous revolver was from Industrial and Commercial Bank of China.

MMG is in discussions with the Chinese bank and other lenders with a view to refinancing the shareholder loan before the end of the year, the filing said.

The latest shareholder loan adds to a US\$200m credit facility – also from its major shareholder – that is due in October 2021. This facility was increased by US\$100m and the tenor extended during the three months ended June 30.

MMG is also in the final stages of negotiation for additional credit facilities.

The recent strength of major commodity prices will reduce pressure on liquidity, however these new facilities are considered

a prudent step to further enhance MMG's surplus liquidity position, the company said.

MMG is in the process of establishing a Beijing office and plans to relocate some staff there from Melbourne to deepen ties with the major shareholder and China.

In 2019, MMG signed revolvers totalling US\$350m for its Las Bambas copper mine in Peru.

Bank of China Sydney branch and ICBC Luxembourg branch each provided US\$175m through three-year revolvers for Minera Las Bambas, which owns the mine. The revolvers replaced a US\$350m bilateral working capital facility from BoC that matured in March last year.

■ OMERS FUNDS TRANSGRID STAKE

Canada's Ontario Municipal Employees Retirement System has obtained a A\$700m (US\$388m) club loan to back its acquisition of a stake in Australian energy transmission firm TransGrid.

ANZ, Commonwealth Bank of Australia, Bank of China, Mizuho Bank, Natixis and Societe Generale are the lenders for the three-year loan.

MCGAVIN INFRASTRUCTURE is the borrower.

Omers has acquired a 19.99% stake in TransGrid from Wren House Infrastructure, a subsidiary of Kuwait Investment Authority, according to a media release from TransGrid.

Wren House's stake in TransGrid was offered to security holders in February in

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accordance with a pre-emptive process, according to Spark Infrastructure, which purchased a 15.01% stake in the company in December 2015.

TransGrid also counts Caisse de depot et placement du Quebec (25%), Abu Dhabi Investment Authority's Tawreed Investments (20%) and Utilities Trust of Australia (20%) as shareholders.

In November, the company's unit TransGrid Services raised a A\$355m five-year loan from ANZ, BNP Paribas, Mizuho, RBC Capital Markets and SocGen, with RBC acting as adviser.

In June 2018, NSW Electricity Networks Finance, the borrowing entity for TransGrid, completed a A\$4.21bn refinancing split into seven tranches with tenors ranging from three to eight years, according to Refinitiv LPC data.

Fifteen banks participated in the refinancing.

» BLACKSTONE COMPLETES A&E LOAN

Blackstone Group has amended and extended a four-year acquisition loan from 2016 and reduced its size to A\$238m.

Bank of China, ING Bank, KEB Hana Bank, Mega International Commercial Bank, Shinhan Bank, State Bank of India, United Overseas Bank and Westpac Banking Corp are the lenders.

The maturity has been extended by a year to June 2021, while pricing is unchanged.

Lenders received an amendment fee for the A&E exercise.

GLASS FINANCE is the borrower on the original A\$428.775m four-year loan that closed in 2016 and funded Blackstone's acquisition of three shopping malls – Clifford Garden, Forest Hill Chase and Brimbank Shopping Centre – in Australia from Vicinity Centres.

The 2016 loan offered opening interest margins of 205bp over BBSY based on a loan-to-value ratio of less than 60%. The loan was split into a A\$393.775m term loan, a A\$30m capital expenditure tranche and a A\$5m working capital tranche, according to Refinitiv LPC data.

The deal featured a step-up in pricing to 215bp if the LTV increased to over 60% when the capital expenditure and working capital tranches were drawn.

Blackstone had sold Brimbank shopping centre in Victoria state to a consortium led by Malaysian-backed group Mulpha for about A\$150m, The Australian newspaper reported in late January.

» SEAFARMS BRINGS PRAWNS TO OUTBACK

SEAFARMS GROUP is seeking a construction loan of up to A\$150m for a large-scale integrated, land-based prawn aquaculture project in northern Australia.

Seafarms has appointed an international financial institution as sole arranger for the proposed debt, and the two parties will take up to six months to agree on terms and conditions, the company said in a filing to the Australian Securities Exchange last Thursday.

"We look forward to working closely with the arranger to progress the due diligence, credit processes and legal documentation for the project debt funding expeditiously, with a view to achieving financial close as soon as possible," said Seafarms executive chairman Ian Trahar.

Project Sea Dragon is designed to produce high-quality, year-round black tiger prawns for export, according to the company's website.

EQUITY CAPITAL MARKETS

» DOWNER EDI RAISES NEW FUNDS

Australian engineering and construction company DOWNER EDI has raised A\$340m (US\$242m) from institutional investors in the first leg of a A\$400m 1-for-5.58 entitlement offer.

Institutions took up 97% of their rights, and the rump drew strong demand from both existing shareholders and new institutional investors.

Downer issued 90.4m new shares at A\$3.75 each, representing a 12.0% discount to the pre-deal close of A\$4.26 on July 20 and a 10.3% discount to the theoretical ex-rights price.

The retail portion is expected to raise A\$61m.

Proceeds will be used to acquire the remaining shares in facility service group Spotless for A\$134.5m, strengthen the group's balance sheet and provide flexibility for further investment.

Following the rights offer, Downer expects its cash and undrawn facilities as at June 30 will total A\$2.1bn. Its net debt will be A\$1.2bn with gearing of 29.3%.

Downer is rated BBB by Fitch Ratings with a stable outlook. The rating agency said the consolidation of Spotless, which will save the group A\$10m–\$15m a year, will help Downer focus on long-term recurring revenues from its core urban-services businesses.

Downer, however, is taking a A\$386m one-off charge for the year ending June 30 related to the impact of Covid-19 and the restructuring of its non-core units. Its mining and laundry services divisions are already up for sale, and the group said it would review its hospitality business.

Macquarie and UBS are the underwriters.

CHINA

DEBT CAPITAL MARKETS

» CCB HK BRANCH PLANS GREEN BOND

CHINA CONSTRUCTION BANK CORP HONG KONG

BRANCH, rated A1/A/A, has hired banks for a proposed benchmark-sized US dollar Reg S senior unsecured green bond offering with a short to intermediate maturity and will hold investor calls on Monday.

CCB, Agricultural Bank of China, BNP Paribas, Bank of America, Citigroup, HSBC and Mizuho Securities are joint global coordinators. They are also joint bookrunners and joint lead managers with ANZ, Bank of China, Bank of Communications, BOSC International, Credit Agricole, Commonwealth Bank of Australia, China International Capital Corp, CTBC Bank, DBS Bank, ICBC, JP Morgan, KGI Asia, Standard Chartered Bank and UBS.

The proposed green bonds will be issued under the lender's US\$15bn MTN programme and have expected A1 rating by Moody's.

The green bonds have received pre-issuance certification as Climate Bonds under the Climate Bonds Standard. Moreover, a pre-issuance stage certificate from the Hong Kong Quality Assurance Agency has been obtained or will be obtained on or before the issue date of the green bonds, certifying that the green bonds are aligned with the requirements of the HKQAA Green Finance Certification Scheme.

» CHINA EVERBRIGHT BANK SETS UP MTN

CHINA EVERBRIGHT BANK, rated Baa2/BBB

(Moody's/Fitch), has set up a US\$5bn MTN programme with its Hong Kong branch as issuer and the Shanghai and Hong Kong-listed parent as guarantor.

The Chinese lender's Hong Kong branch, its investment banking arm CEB International, and Citigroup, are arrangers and dealers of the programme.

» CHINA MOLYBDENUM REPURCHASES

CHINA MOLYBDENUM has made an on-market repurchase of an aggregate principal amount of US\$50m of its US\$300m 5.48% senior bonds due 2022, according to a stock exchange filing.

The repurchase was made on July 13 and the repurchased bonds were cancelled on July 21. Following the cancellation, the outstanding amount of the 2022 notes has been reduced to US\$250m.

The Hong Kong and Shanghai-listed producer of non-ferrous metals said the

Huzhou City puts a shine on LGFV bonds

■ **Bonds** Unlike many other LGFV bonds, the deal attracted significant market orders

HUZHOU CITY INVESTMENT DEVELOPMENT GROUP, Baa3/BBB (Moody's/Fitch), has priced a US\$300m Reg S bond offering which was 15 times covered, a rare hot deal from the Chinese local government financing vehicle segment.

The three-year notes from the Zhejiang province LGFV were priced at par to yield 3.15%, the tight end of final price guidance of 3.15%–3.20%, and 65bp tighter than initial guidance of 3.8% area.

The deal drew final orders of over US\$4.5bn from 91 accounts, including US\$1.6bn from the leads. The joint bookrunners closed the Asian book early at around 1pm Hong Kong time last Thursday as demand flooded in.

A banker on the deal reckoned that orders for recent LGFV deals seldom exceeded US\$2bn.

"The book was unexpectedly strong. The deal was already 14 times covered at noon so we decided to close the Asian book earlier than usual," the banker said. Usually, Reg S deals close at 3pm–4pm in Asia.

The banks on the deal put fair value at 3.5% and expected some orders to drop out after an aggressive 65bp tightening from IPG to price about 35bp inside fair value, but this did not happen.

"Many investors said their price limit was 3.3%, but they stayed on even after we tightened final guidance to 3.15%–3.20%," he said.

STRONG MARKET ORDERS

Unlike other LGFVs, Huzhou City Investment attracted significant market orders beside those from anchors and joint bookrunners.

Still, only about US\$105m of the bonds were eventually allocated to market orders and many private bank clients did not get any allocation. The bulk of the bonds were distributed to anchors and JGCs as the issuer had previously promised.

The banker on the deal said it was common practice for LGFVs to secure anchor orders before launching a deal to ensure smooth execution and this was unlikely to change.

"For high quality LGFV names like Huzhou, 20%–30% of the deal size is enough, but weaker names may need 50%–60% cover before formally marketing the deal," he said.

Asian investors took 99% of the bonds and EMEA 1%. Banks and financial institutions received 80%, fund managers and asset managers 19%, and insurers, corporates, sovereign wealth funds and private banks 1%.

"[Huzhou] is a good name in the LGFV

segment and there was not much supply from good quality LGFVs this year. Moreover, investors have more confidence in LGFVs from Zhejiang province. All these factors contributed to the overwhelming demand," the banker said.

The newly priced bonds were unchanged in the aftermarket on their first trading day.

Huzhou City Investment engages in urban infrastructure construction, property development, water supply and gas supply.

The senior unsecured bonds will be issued by wholly owned BVI subsidiary Taihu Pearl Oriental and guaranteed by the state-owned parent company.

The notes have expected ratings of Baa3/BBB (Moody's/Fitch), on par with the guarantor.

Proceeds will be used for debt refinancing.

CCB International, Bank of China, Huatai International, Standard Chartered Bank and DBS Bank were joint global coordinators. They were also joint lead managers and joint bookrunners with *BoCom International, China Everbright Bank Hong Kong branch, CLSA, CMBC Capital, CMB Wing Lung Bank, Guotai Junan International, ICBC International, Industrial Bank Hong Kong branch, Shanghai Pudong Development Bank Hong Kong branch and TF International.*

CAROL CHAN

repurchase would help to reduce finance costs.

The three-year Reg S bonds were issued in 2019 via wholly owned subsidiary CMOC Capital with a guarantee from the parent company.

► CSC FINANCIAL SETS UP MTN

Chinese brokerage **CSC FINANCIAL** has set up a US\$3bn MTN programme.

CSCIF Asia is the issuer and the Hong Kong and Shanghai-listed parent company is the guarantor.

China Securities International, China Citic Bank International and HSBC are arrangers and dealers.

CSC Financial said proceeds raised under the programme are intended for working capital and general corporate purposes or for debt refinancing.

The programme is listed on the Stock Exchange of Hong Kong.

► FANTASIA PRINTS THREE-YEAR NOTES

FANTASIA HOLDINGS GROUP, rated B2/B/B+, has priced US\$350m of 9.25% three-year non-call

two senior notes at 99.488 to yield 9.45%, inside initial guidance in the 10% area.

The Reg S issue has an expected rating of B+ by Fitch.

The deal received final orders of over US\$2.5bn from 156 accounts. Investors from Asia took 93% and accounts from EMEA 7%. Asset managers were allocated 88%, banks 2% and private banks 10%.

The Hong Kong-listed Chinese real estate company plans to use the proceeds to refinance offshore debt due within one year.

UBS, Barclays, BNP Paribas, Deutsche Bank, Morgan Stanley and Haitong International were joint global coordinators, joint lead managers and joint bookrunners.

► GREENLAND GETS COOL RESPONSE

GREENLAND HOLDING GROUP's cash tender offer for all of its outstanding US\$500m 4.85% notes due August 17 2020 has received a lacklustre response.

Only US\$68.262m in aggregate principal amount was validly tendered, according to a stock exchange filing. The purchase

price was 100.20, plus accrued and unpaid interest.

Following settlement of the tender offer on July 24, the outstanding amount of the notes will be reduced to US\$431.738m.

BOC International was dealer manager and *Morrow Sodali* was information and tender agent.

The Ba1/BB/BB– rated Chinese property developer earlier this month raised US\$650m from a dual-tranche bond offering to fund the tender. The deal comprised a US\$400m 6.125% 2.75-year tranche priced at 99.203 to yield 6.45% and a US\$250m 7.25% 4.5-year priced at 99.060 to yield 7.50%.

► HUARONG LEASING PRINTS 363-DAY

CHINA HUARONG FINANCIAL LEASING, rated Baa1/BBB+/A–, has priced US\$300m 2.5% 363-day senior unsecured notes at 99.756 to yield 2.75%, inside initial guidance of 3.25% area.

The deal received final orders of over US\$1.3bn from 62 accounts, including US\$410m from the leads. Asian investors took

SPIC sails through US-China tensions

■ **Bonds** US\$1bn deal 4.6 times covered, demonstrating investor confidence in big SOE names

China's **STATE POWER INVESTMENT CORP** has returned to the international market with a US\$1bn bond issue that was 4.6 times covered and priced inside its curve despite market jitters over rising US-China tensions.

The state-owned power producer last Wednesday priced the 1.625% five-year Reg S bond at 99.914 to yield 1.643%, or Treasuries plus 138bp, 52bp tighter than initial 190bp area guidance.

The deal received final orders of over US\$4.6bn from 144 accounts, including US\$1.1bn from the leads. Orders peaked at US\$6.8bn ahead of the release of final guidance.

"Although there was market upheaval in the afternoon, high quality, big international institutional investors remained in the deal. This reflected investors' confidence in big central SOEs," a banker on the deal said.

The market came under pressure last

Wednesday afternoon on news that the US had ordered China to close its consulate in Houston, saying this was to protect American intellectual property.

Asian investors took 91% of the bonds and those from EMEA 9%. Asset managers were allocated 43%, banks 30%, financial institutions 17% and sovereign wealth funds and central banks 10%.

The notes were priced inside the joint bookrunners' fair value estimate of 145bp over Treasuries, according to the banker.

SPIC's 3.875% 2026s were bid at a G spread of 147bp while the 2.6% 2024s of another state-owned power producer, China Huaneng Group, were bid at a G spread of 148bp ahead of the release of IPG.

ANZ saw fair value at 132bp and research firm CreditSights at 150bp–155bp.

TRADING TIGHTER

Although SPIC priced inside its own curve, the new bonds traded 7bp–8bp tighter on

their first day of trading.

The Reg S notes will be issued off a US\$3bn MTN programme by wholly owned subsidiary SPIC MTN, with state-owned parent company SPIC (A2/A–/A) as the guarantor.

The senior unsecured notes have expected ratings of A2/A (Moody's/Fitch).

Proceeds will be used for working capital, refinancing and general corporate purposes.

ICBC, BOC International and JP Morgan were joint global coordinators as well as joint lead managers and joint bookrunners with BoCom International and Bank of America.

SPIC is one of the five largest state-owned electricity producers in China. It also engages in coal mining and aluminium smelting.

It last tapped the dollar bond market with US\$500m of senior perpetual non-call 3.5 securities priced at par to yield 5.8% in November 2018, according to Refinitiv data.

CAROL CHAN

98% of the notes and EMEA 2%. Private banks were allocated 48%, banks and financial institutions 37%, fund managers and asset managers 13%, insurers and trusts 2%.

The Reg S notes will be issued off a US\$1bn MTN programme by wholly owned subsidiary Huarong Leasing Management Hong Kong, which is rated A– (stable) by Fitch. The notes will also have a keepwell and asset purchase deed provided by China Huarong Financial Leasing.

The notes have expected ratings of P-2/A– (Moody's/Fitch).

China Huarong Financial Leasing, the 79.9%-owned leasing subsidiary of China Huarong Asset Management, plans to use proceeds for general corporate purposes.

Standard Chartered Bank, BNP Paribas, CMB International and Haitong International were joint global coordinators. They were also joint bookrunners and joint lead managers with Huarong International Securities, BoCom International, China International Capital Corp, China Minsheng Banking Corp Hong Kong branch, CMB Wing Lung Bank and ICBC International.

■ ICBC INTL PRICES FIVE-YEAR

ICBC INTERNATIONAL HOLDINGS, the investment banking arm of Industrial and Commercial Bank of China, has raised US\$700m from a senior unsecured bond offering for general corporate purposes.

The 1.7% five-year Reg S notes were priced at 99.685 to yield 1.766%, or Treasuries plus 150bp, the tight end of final guidance of 150bp–155bp and 50bp tighter than initial 200bp area guidance.

The deal drew final orders of over US\$3bn from 90 accounts, including US\$1.99bn from the leads. Asian investors took 87% of the notes and EMEA 13%. Banks were allocated 52%, fund managers 41% and public institutions 7%.

Wholly owned subsidiary Horse Gallop Finance is the issuer and the parent company, rated A2/A– (Moody's/S&P), is the guarantor. The notes will be issued off a US\$4bn MTN programme and have an expected A2 rating by Moody's.

ICBC, HSBC, Agricultural Bank of China Hong Kong branch, ANZ, Bank of China, China Construction Bank (Asia), China Minsheng Banking Corp Hong Kong branch, CMB Wing Lung Bank, CMBC Capital and Mizuho Securities were joint global coordinators. They were also joint lead managers and joint bookrunners with ABC International, CCB International, China Citic Bank International, China Everbright Bank Hong Kong branch, Maybank, Nanyang Commercial Bank and Shanghai Pudong Development Bank Hong Kong branch.

■ SPDB HK BRANCH PRINTS FLOATER

SHANGHAI PUDONG DEVELOPMENT BANK HONG KONG BRANCH, rated Baa2/BBB/BBB, has priced

US\$500m three-year floating-rate senior unsecured bonds at three-month Libor plus 85bp, 40bp tighter than initial guidance of 125bp area.

The Reg S issue, which will be issued off a US\$5bn MTN programme, has an expected Baa2 rating by Moody's.

Proceeds will be used for working capital and general corporate purposes.

Final statistics were not available at the time of writing but orders were said to be over US\$2.3bn at the time of final guidance, including US\$1.59bn from the leads.

The final pricing was 5bp inside Nomura's trading desk fair value estimate of 90bp wide of three-month Libor. Nomura said SPDB HK's notes should trade at least 10bp–15bp wider than recently issued three-year dollar floaters by larger state-owned banks like Bank of China and Bank of Communications to reflect its much smaller size and systemic importance, weaker capitalisation and liquidity, and larger exposure to non-standard credit assets.

SPDB Hong Kong branch, Bank of Communications, China Minsheng Banking Corp Hong Kong branch, Guotai Junan International, Haitong International, ICBC, Industrial Bank Hong Kong branch and MUFG were joint global coordinators. They were also joint lead managers and joint bookrunners with SPDB International,

ZhengTong Auto hits a bump in the road

■ Loans Borrower misses principal repayment after requesting a deferral from lenders

CHINA ZHENTONG AUTO SERVICES HOLDINGS has missed a principal repayment of around US\$100m on a US\$380m three-year loan it raised in 2018.

The week before last, the Hong Kong-listed luxury car dealer asked lenders to defer the third instalment due Monday, stating that its offshore refinancing, which began in May, was suspended due to the coronavirus pandemic.

Under its loan repayment schedule, the facility closed in January 2018 is to be repaid in four semi-annual unequal installments of 10%, 20%, 25% and 45%.

The first two instalments were paid on time, with 45% of the remainder due January 19 2021 still outstanding.

The shares of ZhengTong slumped nearly 11% last Tuesday.

Morgan Stanley was the global coordinator and administrative agent, while Bank of Taiwan was the original mandated lead arranger and bookrunner for Taiwan.

That deal pays an interest margin of 315bp over Libor and has an average life of 2.525 years. Banks were offered an all-in pricing of 369bp based on an upfront fee of 110bp.

On May 12, Moody's downgraded ZhengTong's senior unsecured debt ratings to B3 from B2, with a negative outlook.

The rating agency expects ZhengTong's sales and revenue to further decline in 2020, following a 8.3% fall in new car sales in 2019 and weakened demand outlook.

ZhengTong has 20 dealerships (14% of its dealerships in China) in Hubei province, the original epicentre of the pandemic.

On July 16, ZhengTong announced a plan to raise HK\$267.29m (US\$34.5m) via a private placement of 245.2m shares at HK\$1.09 each for general working capital purposes.

The borrower's most recent visit to the loan markets was in August last year for a US\$320m three-year term loan with Cinda International Asset Management acting as lead adviser of the transaction.

That deal offers a top-level all-in pricing of 358.56bp via an interest margin of 315bp over Libor and a participation fee of 110bp. EVELYNN LIN

SPDB Singapore branch, Agricultural Bank of China, AMTD, Bank of East Asia, Bank of China, CCB International, China Everbright Bank Hong Kong branch, China International Capital Corp, Citigroup, China Citic Bank International, Chiyu Banking Corp, Credit Agricole, DBS Bank, Nanyang Commercial Bank and Standard Chartered Bank.

■ GLP CHINA PLANS DUAL-TRANCHE PANDA

GLP CHINA HOLDINGS, a Hong Kong-incorporated subsidiary of Singapore-based GLP, formerly known as Global Logistic Properties, is planning a Rmb2bn (US\$286m) two-tranche Panda bond offering in China's interbank market.

The planned issue comprises Rmb1bn of three-year notes and Rmb1bn of five-year notes. Bookbuilding began last week but pricing details were not yet announced at the time of writing.

The deal is the first batch of a Rmb15bn quota registered with Chinese financial regulators.

GLP China, the largest logistics space provider in China, plans to use the proceeds to repay bank loans.

Both the issuer and the bonds are rated AAA by Shanghai Brilliance.

China Merchants Bank is lead underwriter and bookrunner. *Industrial Bank* is joint lead underwriter.

GLP China last issued Panda bonds in October 2018 with a Rmb1.2bn three-year bond offering at 4.83%. It expanded its funding channels with a debut US\$500m 4.974% five-year bond offering in February last year.

SYNDICATED LOANS

■ CNCBI SEEKS WAIVERS ON US\$800M

CNCB (HONG KONG) INVESTMENT is seeking consent from lenders for covenant waivers on its US\$800m debut three-year loan raised in September 2018.

The borrower has requested lenders to waive the requirements for the ratios on consolidated Ebitda-to-consolidated finance charges for June 30 and December 31.

According to the facility agreement, the financial covenants require the borrower's consolidated Ebitda-to-consolidated finance charges to be at a minimum of 1.3x as at June 30 and 1.5x as at December 31.

China Construction Bank (Asia) is coordinating the waiver exercise. Majority lenders consent is required for the waiver with a response deadline set for July 23.

CCB (Asia), HSBC, Industrial & Commercial Bank of China (Asia) and Mizuho Bank were the mandated lead arrangers and bookrunners of the transaction, which attracted 20 banks in general syndication.

That deal offered a top level all-in pricing of 180bp based on an interest margin of 165bp over Libor and a participation fee of 45bp.

China Citic Bank holds a 99.05% stake in the company, which provides money lending and investment business services.

■ MINSHENG LEASING BACK FOR MORE

MINSHENG FINANCIAL LEASING is preparing to launch a US\$300m new-money financing,

marking its second loan of the year.

Credit Suisse is sounding banks for the deal, which is likely to have a three-year tenor.

The borrowing follows a US\$75m refinancing Minsheng Financial Leasing obtained from four lenders in January. Emirates NBD was the mandated lead arranger and bookrunner.

In October 2018, Credit Suisse, along with E. Sun Commercial Bank, led a US\$510m three-year loan for Minsheng Financial Leasing, which attracted 12 other lenders.

That facility offered a top-level all-in pricing of 170bp via an interest margin of 150bp over Libor.

Minsheng Financial Leasing is the guarantor and its wholly owned unit, Minsheng Hong Kong International Leasing, is the borrower.

China Minsheng Bank is a major shareholder of Minsheng Financial Leasing, which mainly engages in aircraft leasing, ship chartering, marine engineering and medical equipment leasing.

■ NINE DRAGONS PAPER WRAPS UP CLUB

Hong Kong-listed Nine Dragons Paper (Holdings) has signed a US\$300m three-year term loan with two banks as a club, according to a stock exchange filing last Wednesday.

Bank of China (Hong Kong) and *Bank of Communications Hong Kong branch* provided the loan.

Nine Dragons Paper, Nine Dragons Paper (BVI) Group and Zhang's Enterprises are

the guarantors, while **RIVER DRAGONS PAPER INDUSTRIES** is the borrower.

In June 2019, Nine Dragons Paper obtained a HK\$3.9bn (US\$500m) three-year club loan, also from BOC and BoCom.

BOC subsequently coordinated a three-year loan of up to €140m (US\$159m) for Cheng Yang Paper Mill, the Vietnamese unit of Nine Dragons Paper, for refinancing and capital expenditure.

Nine Dragons Paper mainly engages in the production of packaging paperboard and printing and writing paper.

EQUITY CAPITAL MARKETS

JD HEALTH PLANS HK IPO

JD.com is considering a Hong Kong IPO for **JD HEALTH** in a deal that could raise at least US\$1bn, according to people with knowledge of the matter.

The Chinese e-commerce giant has started work on the listing of its online healthcare unit and could complete the float as early as the end of the year or early in 2021, said the people.

JD Health raised US\$931m last November through the sale of a 13.5% stake in a private financing, valuing the company around US\$6.9bn. JD.com owns the remaining stake.

Spun off from JD.com in May last year, JD Health provides pharmaceutical and healthcare products and internet healthcare services to customers.

Ping An Healthcare and Technology, backed by the Chinese insurance giant, and Alibaba Health Information Technology, a unit of e-commerce giant Alibaba Group, are both listed in Hong Kong and have seen their shares soar this year.

As of last Thursday, shares of Ali Health were up 148% this year, giving the company a market capitalisation of HK\$289bn (US\$37bn). Ping An Healthcare, also known as Ping An Good Doctor, had surged 117% with a market capitalisation of HK\$132bn.

JD.com's plan to list JD Health in Hong Kong highlights the US-listed company's preference to list businesses closer to its customers, after completing its own US\$4.46bn secondary listing in Hong Kong in June.

JD DIGITS, previously known as JD Finance and another subsidiary of JD.com, has started work on a Shanghai Star IPO.

When JD.com listed in Hong Kong, the company disclosed in the prospectus that it had applied for a waiver from the Stock Exchange of Hong Kong so that it could spin off a subsidiary and list it on the bourse within three years of its secondary listing.

JD.com did not respond to requests for comment.

ANTENGENE PLANS HK IPO

Chinese cancer drugs developer **ANTENGENE** is planning to raise about US\$200m from a Hong Kong IPO as early as this year, according to people close to the deal.

The biotech company, which counts Celgene Corp among its backers, last week announced that it had completed a US\$97m private financing led by Fidelity Management & Research with additional support from new investors including Hillhouse Capital and GIC. Existing investors including Qiming Venture Partners and Boyu Capital also participated.

The company plans to use the proceeds from the private round to fund the development of haematology and oncology therapies, expand in-house research and development capabilities and strengthen commercial infrastructure.

Founded in 2017, Antengene's pipeline includes six clinical-stage products for cancer treatment.

Goldman Sachs and *JP Morgan* are leading the planned IPO.

BANK OF GUIYANG WITHDRAWS

BANK OF GUIYANG has withdrawn a proposed Rmb4.5bn (US\$643m) A-share private placement in order to revise the plan.

It had planned to sell up to 500m shares to eight investors, led by Shanghai-listed Xiamen ITG Group, Aeon Insurance Asset Management, and Guiyang State-owned Assets Investment Management.

Xiamen ITG Group also said that it had terminated its subscription. It had committed to buy up to 160m shares or up to Rmb1.8bn of the offering.

Bank of Guiyang planned to use the proceeds from the placement to replenish core Tier 1 capital.

As of the end of September 2019, its core Tier 1 capital adequacy ratio was 8.89%, lower than its target of 9% and the 10.61% average of its listed peers.

Its 2019 revenue rose 15.9% to Rmb14.7bn. *China Securities* was the sponsor.

BOZ FOLLOW-ON APPROVED

BANK OF ZHENGZHOU's planned Rmb6bn private placement has been given final written approval by the China Securities Regulatory Commission.

The local lender aims to offer up to 1bn shares to up to 35 investors at a floor price to be set on the first day of the issue.

Zhengzhou Investment Holdings, which owns 3.64% of the bank, plans to buy up to 172m shares. Zhengzhou Guoyuan Trade (3.36%) plans to buy shares totalling Rmb450m–Rmb600m and Bridge Trust

(1.94%) has committed to buy Rmb660m–Rmb860m.

Proceeds will be used to replenish core Tier 1 capital.

China Merchants Securities is the sponsor.

CAMBRICON SURGES ON STAR DEBUT

CAMBRICON TECHNOLOGIES' A-shares surged 296% to Rmb255.00 in debut trading on the Shanghai Star board last Monday morning from the issue price of Rmb64.39.

The AI chipmaker's shares closed at 212.40, up 230%. Its market capitalisation of Rmb112.4bn is the third largest on the Star board, behind Beijing Kingsoft Office Software (Rmb177bn) and Semiconductor Manufacturing International (Rmb134bn).

The company sold 40.1m new shares for a 10% free-float to raise Rmb2.58bn from its IPO, slightly less than its Rmb2.8bn target.

Proceeds will be used for three chip projects and to replenish working capital.

Cambricon's net loss ballooned to Rmb1.18bn in 2019 from Rmb41m a year earlier, while revenue almost quadrupled to Rmb444m from Rmb117m. However, its Q1 revenue dropped 18.9% year on year to Rmb11.5m after former partner turned rival HiSilicon, a Huawei subsidiary, cut all of its links with the company last year.

The company, which counts Alibaba Group Holding as a shareholder, has had five fundraising rounds since it was founded in 2016, attracting investments from Alibaba, Citic Securities, state-owned China Reform Holdings, Shenzhen-listed AI company Iflytek and CICC Capital, among others.

Cambricon aims to build core processor chips for intelligent cloud servers, smart terminals and intelligent robots.

Born as a spin-off from the Institute of Computing Technology of the Chinese Academy of Sciences, Cambricon was included last year in technology forecaster CB Insights' list of Chinese AI unicorns valued around US\$2.5bn.

Citic Securities was the sole sponsor of the deal, and joint bookrunner with *CICC*, *Guotai Junan Securities*, and *Essence Securities*.

CATL RECHARGED BY SHARE PLACEMENT

Chinese electric vehicle battery maker **CONTEMPORARY AMPEREX TECHNOLOGY** has completed a Rmb19.7bn private share placement.

CATL, which supplies major carmakers including Tesla, sold 122m shares at Rmb161.00 each to nine investors including Hillhouse Capital, Honda Motor, UBS, JP Morgan Securities, Guotai Junan Securities and JP Morgan Chase Bank.

Hillhouse Capital and Honda Motor took 70% of the offering with respective

investments of Rmb10bn and Rmb3.7bn. This makes the private equity firm the ninth-largest shareholder in the company.

China's top EV battery company won final approval for the share placement from the China Securities Regulatory Commission on June 30, after a rapid application process.

Proceeds will be used to build or expand three lithium battery production bases in Fujian, Jiangsu and Sichuan provinces, upgrade an energy storage research project and replenish working capital.

The company has partnerships with Tesla, Volkswagen and BMW. It is the third-biggest manufacturer of power batteries globally with a 17.4% market share in the first quarter of this year, behind LG Chem with 27.1% and Panasonic with 25.7%.

The Shenzhen-listed company announced the follow-on proposal in February and passed its hearing on June 12, which is the fastest process for a deal since China introduced new rules for equity refinancing on February 14. These rule changes, with the goal of enhancing the role of the capital markets in serving the real economy, made it easier for listed companies to raise funds amid the coronavirus outbreak.

CATL's net profit rose 54.6% to Rmb5.76bn in 2019, on revenues of Rmb45.8bn.

Its A-shares closed up 4.9% to Rmb205.30 on July 20, valuing the company at Rmb432bn.

China Securities is the sponsor and joint bookrunner with *CICC*, *Morgan Stanley* *Huaxin Securities* and *Tianfeng Securities*.

» CICC TREBLES SIZE OF SHANGHAI IPO

Hong Kong-listed **CHINA INTERNATIONAL CAPITAL CORPORATION** has more than trebled the number of shares on offer in its proposed Shanghai IPO to 1.44bn from 459m.

The offer will now represent 24.8% of the enlarged capital, instead of 9.5%, and could raise Rmb15.6bn based on the investment bank's net asset value per share of Rmb10.80 in 2019.

A spokesman said "the original A-share IPO issuance plan can no longer fully meet the company's business development needs for capital" and that this led to the decision to upsize the IPO.

CICC is keen to address its capital scale and strength quickly, and to consolidate its competitive advantage, the person said.

Proceeds will be used to replenish capital and working capital.

Oriental Citi Securities and *Galaxy Securities* have been hired as IPO tutors.

The brokerage posted a net profit of Rmb4.24bn in 2019 on revenue of Rmb22.8bn.

CICC raised HK\$6.3bn from a Hong Kong float in 2015.

The H-shares have risen 30% this year.

If the deal comes to fruition, CICC will become the 13th Chinese brokerage to have listed A and H shares.

» CSG HOLDING FOLLOW-ON APPROVED

Shenzhen-listed **CSG HOLDING**'s planned Rmb4.03bn private A-share placement has been given final written approval by the China Securities Regulatory Commission.

The company will sell 921m shares, equivalent to 30% of the existing share capital, to up to 35 investors.

Proceeds will be used for a solar panel manufacturing project, to replenish working capital and to repay bank loans.

Ping An Securities is the sponsor.

» E-STAR AND STRAWBEAR FILE HK IPOs

China's **E-STAR COMMERCIAL MANAGEMENT** and **STRAWBEAR ENTERTAINMENT GROUP** are looking to list in Hong Kong for US\$150m and US\$120m respectively, according to people close to the deals.

The two companies filed to the Hong Kong bourse last week without disclosing the timelines and fundraising sizes.

Shenzhen-based E-Star is a property management company for commercial premises mainly in the Greater Bay Area of Guangdong, Hong Kong and Macau. It has served 49 commercial properties so far.

It posted a profit of Rmb44.7m for the four months ended April 30, a 0.4% increase from the same period last year. It had an annual profit of Rmb96m in 2019.

CCB International and *China Securities International* are the joint sponsors.

Chinese drama series producer and distributor Strawbear has so far invested in 16 drama series, of which 11 are self-produced. It generates revenue primarily from licensing broadcasting rights and production services for made-to-order drama series.

It posted a profit of Rmb42.9m for the three months ended March 31, more than doubling from Rmb19.9m in the same period the year before. It had an annual profit of Rmb50.4m in 2019.

China Merchants Securities and *China Securities International* are the joint sponsors.

» EVEREST MEDICINES EYES HK IPO

Chinese biotech company **EVEREST MEDICINES** has made an IPO application to the Stock Exchange of Hong Kong with *Bank of America* and *Goldman Sachs* as joint sponsors.

IFR reported earlier that the company, which counts Hillhouse Capital among its investors, was targeting a US\$300m float this year.

It had considered a US listing at one point but decided on Hong Kong as recent biotech IPOs in the city have generated huge interest from investors, said people close to the deal. Biotech is seen as one of the sectors that will benefit from the coronavirus pandemic.

Founded in 2017, Everest has eight drug candidates focusing on oncology, autoimmune disorders, and cardio-renal and infectious diseases.

It posted a profit of Rmb304m for the three months ended March 31 this year, up from Rmb99m in the same period last year. It had an annual loss of Rmb215m in 2019.

It announced in June that it had raised US\$310m from a private financing. The round was led by Janchor Partners and co-led by RA Capital Management and Hillhouse Capital with additional support from new investors including Decheng Capital and GT Fund. Existing investors, including CBC Group, Cormorant, Pavilion Capital and HBM Healthcare Investments, also participated.

» FIRST CAPITAL COMPLETES FOLLOW-ON

FIRST CAPITAL SECURITIES has completed a Rmb4.2bn private share placement.

The brokerage sold 700m shares at Rmb6.00 each to nine investors, five of which are listed peers Citic Securities, Guotai Junan Securities, China Securities, CICC and Zhesang Securities. Citic Securities and Zhesang Securities bought Rmb270m and Rmb180m respectively, and the others bought Rmb200m each.

Proceeds will be used to replenish capital and working capital, and repay debt.

Huachuang Securities and the issuer were joint sponsors.

» GUOLIAN SEC PRICES SHANGHAI IPO

Hong Kong-listed **GUOLIAN SECURITIES** has raised Rmb2.02bn from a Shanghai IPO after setting the issue price at Rmb4.25 per share.

The Wuxi-based brokerage sold 476m A-shares, or 20% of the enlarged capital, down from the originally planned 634m.

Proceeds will be used to replenish capital, increase working capital and develop the brokerage's main business.

Nanjing Securities was the sponsor and joint bookrunner with *Huaying Securities*, the former China joint venture of Guolian Securities and Royal Bank of Scotland Group.

» HENGTONG OPTIC-ELECTRIC GETS NOD

HENGTONG OPTIC-ELECTRIC has won final written approval from the China Securities Regulatory Commission for a proposed Rmb5.04bn private placement.

It plans to offer up to 571m shares, equivalent to 30% of current capital, to up to 35 investors. Hengtong Group, the largest shareholder with an 18.9% stake, has committed to buy at least Rmb500m in the offering at the floor price.

Proceeds will be used to fund submarine fibre optic cable and silicon photonic chips production projects and replenish working capital.

Shenwan Hongyuan Securities is the sponsor.

» INNOVENT COMPLETES FOLLOW-ON

An upsized primary and secondary placement in **INNOVENT BIOLOGICS** has raised HK\$4.65bn.

The company sold 56.2m primary shares or about 4% of the enlarged share capital, instead of 44.2m shares at launch, at HK\$50 per share. The price represents a discount of 4.7% to the pre-deal close.

Innovent chairman De-Chao Michael Yu and family and Capital International Vendors sold 36.8m secondary shares, up from 33.8m shares, at the same price.

The shares were marketed in a HK\$49.80–\$50.80 range.

The deal, which was launched with anchor support from a sovereign fund, was multiple times oversubscribed with about 90 investors participating. Demand came from long-only investors and hedge funds, existing shareholders and healthcare specialists. The top 20 investors took about 90% of the deal.

There is a six-month lock-up on the company and the vendors.

The primary proceeds will be used to build a production facility, fund clinical trials and for general corporate use.

Morgan Stanley was bookrunner.

Innovent's shares rose 2.8% to HK\$53.90 last Thursday and had doubled year to date.

» JOY SPREADER PLANS HK IPO

JOY SPREADER INTERACTIVE TECHNOLOGY is planning a Hong Kong IPO of about US\$150m, according to a person close to the deal.

The Chinese media marketing service has filed to the Stock Exchange of Hong Kong without disclosing the fundraising size or timeline.

BoCom International, China Merchants Securities and China Securities International are the joint sponsors.

Joy Spreader connects marketers and media publishers and served 3,806 WeChat publisher accounts as of March 31, giving it a reach of more than 733 million followers.

For the three months ended March 31, it posted a profit of Rmb20.5m, nearly double its Rmb10.7m profit for the same period last year. Its annual profit was Rmb67m in 2019.

» MING YUAN CLOUD GROUP SEEKS HK IPO

MING YUAN CLOUD GROUP HOLDINGS, a Chinese software services provider for property developers, is planning a Hong Kong IPO of about US\$300m, according to people close to the deal.

The company has filed to the Stock Exchange of Hong Kong with *CICC* and *Citigroup* as joint sponsors.

Founded in 2003, the company provides software as a service to manage sales and marketing, procurement, cost and project management, and budgeting. It served 4,000 customers in 2019, 3,000 of which were property developers.

For the three months ended March 31, it posted a profit of Rmb14.7m against Rmb6.9m a year earlier. It had an annual profit of Rmb232m in 2019.

» QI AN XIN SURGES 138% ON DEBUT

QI AN XIN TECHNOLOGY GROUP'S shares surged 138% to Rmb133.55 on their Shanghai Star market debut on July 22.

The company, formerly known as 360 Enterprise Security Group, raised Rmb5.72bn from its IPO after pricing it at Rmb56.10, more than its original target of Rmb4.5bn.

It sold 102m A-shares, or 15% of the enlarged capital.

Proceeds will be used for six security projects and to replenish working capital.

Qi An Xin, founded in 2014, provides network security services, mainly to the Chinese government. It also provides cybersecurity services to the judiciary and other state-owned institutions such as hospitals and the military.

It was a subsidiary of 360 Security Technology until April 2019 when Qi Xiangdong, the founder of Qi An Xin, parted ways with Zhou Hongyi, the founder of 360 Security, after 16 years. The company has not been allowed to use the 360 Security brand since then.

It filed for the float on May 11.

The company posted a net loss of Rmb553m for 2019 on revenue of Rmb3.15bn. It generated revenue of Rmb226m in the first quarter of 2020, down 39.8% on the same period a year earlier, while its net loss widened 60% year-on-year to Rmb543m.

China Securities is the sponsor.

Six other companies made their Star market trading debuts on the same day as Qi An Xin.

» SOUTHWEST SEC COMPLETES FOLLOW-ON

Shanghai-listed **SOUTHWEST SECURITIES** has raised Rmb4.9bn from a private placement.

The brokerage sold 1bn shares at Rmb4.90 each to four investors – Chongqing Yufu Assets Management Group, Chongqing City Construction Investment (Group), Chongqing Real Estate Group and Chongqing Development Investment. They had committed to buy 330m, 350m, 120m and 200m shares for up to Rmb2.31bn, Rmb2.45bn, Rmb840m and Rmb1.4bn, respectively. Its original target was Rmb7bn.

Proceeds will be used to increase the capital of two subsidiaries, fund the brokerage's main business, expand physical outlets and for IT services.

Huafu Securities is the sponsor.

» SUNAC CHINA MULLS MANAGEMENT IPO

SUNAC CHINA is considering spinning off its property management services unit **SUNAC SERVICES** in a Hong Kong IPO which could raise up to US\$1bn, according to people familiar with the situation.

The Hong Kong-listed Chinese property developer is working with financial advisers on the transaction which could come as early as this year, said the people.

According to Sunac China's annual financial report, property management income and other income amounted to Rmb7bn in 2019, up 40% from 2018. That income accounted for 4.1% of the group's total revenue.

Sunac China declined to comment.

Chinese property developers are rushing to spin off their property management services arms for separate listings. Those who have done so include Country Garden, Agile Group and Poly Developments and Holdings Group.

China Resources Land and Shimao

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Group, meanwhile, are planning to list their property management services units this year in Hong Kong to each raise at least US\$500m.

» TIGERMED SKIPS CORNERSTONES

Shenzhen-listed **HANGZHOU TIGERMED CONSULTING** has decided not to have a cornerstone tranche for its US\$1bn–\$1.5bn Hong Kong listing, according to people close to the deal.

Including cornerstone investors in IPOs is a very common practice in the Hong Kong market as it helps secure a big portion of demand and build momentum for the transactions.

Given overwhelming investor interest in recent healthcare IPOs, Tigermed believes the deal will be well received even without cornerstone support, while it will have more flexibility to set the issue price, said the people.

The Chinese clinical research service provider is tentatively scheduled to open books on Monday and price the deal on Friday.

Bank of America, CICC, CLSA and Haitong International are sponsors.

The company had a market capitalisation of Rmb86.7bn as of last Thursday, with the stock up 74% this year.

It intends to use the proceeds for potential acquisitions, organic business expansion, biopharmaceutical R&D, to repay borrowings and for working capital.

Tigermed participated in over 400 clinical trials from 2017 to 2019. Headquartered in China, the company has 15 overseas operational sites in Asia Pacific, North America and Europe.

It posted a 2019 net profit of Rmb975m, up 49% from 2018.

» GRAND AUTOMOTIVE GETS OK ON CB

Shanghai-listed **CHINA GRAND AUTOMOTIVE SERVICES GROUP**'s planned Rmb3.37bn six-year convertible bond has been given final written approval by the China Securities Regulatory Commission.

Proceeds will be used to upgrade physical outlets and IT services, build used car trading markets and repay interest-bearing liabilities.

The initial conversion price will be not less than the average A-share price in the 20 trading days before the final CB prospectus is issued.

Citic Securities is the sponsor.

» SDIC CAPITAL OPENS BOOKS FOR CB

Shanghai-listed **SDIC CAPITAL** opened the books for a Rmb8bn six-year convertible bond on July 24.

The initial conversion price is Rmb15.25. The CB, which has received a AAA rating from United Rating, pays an initial coupon of 0.2% in year one, stepping up each year to 2% in year six.

Proceeds will be used to raise the capital of subsidiary Essence Securities, which in turn will invest in IT services and credit transaction and equity securities investment businesses, and to raise the capital of two other Essence subsidiaries.

SDIC Capital, owned by the State-owned Assets Supervision and Administration Commission, holds 99.9% of Essence Securities.

The company posted a 2019 net profit of Rmb3.5bn, up 73%, on revenue of Rmb11.3bn.

Guotai Junan Securities and *Essence Securities* are the joint sponsors.

» ZHONGJIN LINGNAN COMPLETES CB

Shenzhen-listed **SHENZHEN ZHONGJIN LINGNAN NONFEMET** has raised Rmb3.8bn from a six-year convertible bond.

The initial conversion price is Rmb4.71. The CB, which has received a AA+ rating from China Chengxin International Credit Rating, pays an initial coupon of 0.2% in year one, stepping up each year to 2% in year six.

The company will use the proceeds to build an underground mining site in the Caribbean island of Dominica, upgrade a smelter and a mining site in Guangdong province, and replenish working capital.

The company posted a 2019 net profit of Rmb871m on revenue of Rmb22.8bn.

China Securities is the sponsor.

HONG KONG

DEBT CAPITAL MARKETS

» CHONG HING BANK PLANS ATIS ISSUE

CHONG HING BANK is planning to issue US dollar Basel III-compliant perpetual, non-cumulative, subordinated Additional Tier 1 capital securities under its US\$2bn medium-term note and perpetual capital securities programme.

The Hong Kong lender, rated Baa1/BBB (Moody's/Fitch), has arranged a series of investor conference calls last Friday and the benchmark-sized Reg S deal may launch as early as Monday.

The perpetual non-call five AT1s are expected to be rated Ba2 by Moody's.

BOC International, CCB International, Chong

Hing Bank, CLSA, CMB International, CMB Capital, Credit Agricole and *Yue Xiu Securities* are joint global coordinators as well as joint lead managers and joint bookrunners with *CMB Wing Lung Bank* and *HSBC*.

Chong Hing Bank and *HSBC* are arrangers of the MTN and perp programme. They are also dealers of the programme with *ABC International, BOC International, CCB International* and *Yue Xiu Securities*.

» CK ASSET SETS UP US\$5BN MTN

CK ASSET HOLDINGS, rated A2/A (Moody's/S&P), has set up a US\$5bn euro MTN programme with *HSBC, Bank of America* and *Mizuho Securities* as arrangers and dealers.

CK Property Finance (MTN) is the issuer under the programme and the Hong Kong-listed conglomerate is the parent guarantor.

» P&R HOLDINGS HOLDS INVESTOR CALLS

P&R HOLDINGS has hired *AMTD, China Citic Bank International* and *HSBC* to arrange fixed income investor calls beginning on July 24.

The property company is held by *Regal Hotels International Holdings* and *Paliburg Holdings*.

SYNDICATED LOANS

» BELLE EYES HK\$20BN REFINANCING

Shoe retailer **BELLE INTERNATIONAL HOLDINGS** is in talks with banks for a refinancing of HK\$20bn (US\$2.58bn).

The deal is likely to be on a club basis, with some Chinese banks expected to join with big tickets.

In September 2018, Belle International obtained a HK\$29bn five-year loan via a dividend recapitalisation, and amendment and extension exercise.

Bank of America and HSBC were the original mandated lead arrangers, bookrunners and equal underwriters of the loan, which attracted 15 other banks.

That deal offered a top-level all-in of 287.85bp based on an opening margin at 275bp over Libor and a remaining average life of 4.28 years.

Muse Holdings B, a Cayman Islands incorporated special purpose vehicle, is the borrower of that senior secured loan.

In July 2017, Belle International obtained a HK\$28bn term loan backing its take-private deal. Bank of America was the original MLAB of that deal, which offered a top-level all-in pricing of 326bp based on an opening interest margin of 315bp over Hibor, a 50bp upfront fee and an average life of 4.4 years in general syndication.

Belle International was taken private by Hillhouse Capital Group and CDH Investments in July 2017 in a deal valued at US\$6.8bn, the largest buyout in Hong Kong that year.

Belle International in October last year listed its sportswear business – Topsports International Holdings.

SAMSON FILES WINDING-UP PETITION

SAMSON PAPER has filed a winding-up petition and an application to appoint provisional liquidators for restructuring purposes, the company said in a filing with the Hong Kong stock exchange.

The winding-up petition was filed on July 18 with the Supreme Court of Bermuda, following an acceleration of debt repayment by certain lenders

and the resignation of four directors in relation to disagreements within the board over certain auditing issues.

The company intends to seek appropriate orders from the Bermuda court for the appointment of experienced accountants from a major international accounting firm as joint and several provisional liquidators to facilitate a “light touch” provisional liquidation.

This is so that it will have the benefit of a moratorium on claims, which will give the company time to formulate and implement a financial restructuring, and to maximise the prospects of success for its restructuring plan.

Samson Paper's board, subject to the orders of the Bermuda court and under the supervision of the provisional liquidators,

will continue to manage the company's affairs.

Trading in Samson Paper's shares on the Hong Kong stock exchange has been halted since July 2, pending the release of the company's audited annual results for the year ended March 31 2020.

Samson Paper currently has two outstanding syndicated loans: a HK\$356m three-year loan completed in July 2019 and a HK\$780m 3.5-year loan signed in September 2017.

Far Eastern International Bank and Fubon Bank (Hong Kong) were the mandated lead arrangers and bookrunners of the 2019 facility, bringing in five other banks.

CTBC Bank, Maybank and Mizuho led the 2017 facility, which attracted 10 other lenders in syndication.

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INDIA

DEBT CAPITAL MARKETS

FUTURE RETAIL MISSES COUPON PAYMENT

FUTURE RETAIL has missed the first coupon payment on its debut US dollar bond that was due on July 22.

The Indian retailer said its liquidity position has been affected by restrictions on its business operations due to the nationwide lockdown to contain the coronavirus pandemic, according to a stock exchange filing.

Future Retail had a Rs1bn (US\$13.3m) payment due on the US\$500m 5.6% 2025 bonds.

The company proposed to make the coupon payment within 30 days from the interest due date, citing the terms of the bond offering, but did not elaborate on where the funds will come from.

Although a payment default has not yet occurred thanks to the 30-day grace period, S&P said it could lower its preliminary rating on Future Retail to D and that the retailer's weak liquidity will remain an overarching credit risk, regardless of the company making the coupon payment.

In April, the rating agency cut the rating on Future Retail and its US dollar bonds to CCC-, six notches below where it was when the company first tapped the international bond market in January. The bonds had a rating of BB-/BB (S&P/Fitch) at the start of the year, in line with the issuer at the time.

Future Retail's 2025s were bid at a cash price of 52 last Friday, down over 10 points on the week, according to Tradeweb. The price had hovered around 100 until the start of March but plunged to as low as 20 on March 30.

Even before the coronavirus outbreak worsened its business conditions, the company had been facing change of control risks due to the high level of share pledges taken by its controlling shareholders and the more than 70% drop in its share price in March.

HDFC LIFE TO SELL DEBUT BONDS

HDFC LIFE INSURANCE is planning to raise Rs6bn from 10-year non-call five debut subordinated bonds at 6.67%, according to market sources.

The call option on the unsecured bonds can be exercised with the prior approval of the Insurance Regulatory and Development Authority of India.

Crisil and Icra have assigned a AAA rating to the notes.

ICICI Bank and **Yes Bank** are said to be the arrangers.

The insurance company has asked investors to place bids on NSE's electronic platform on July 27 from 9:30am to 10:30am India time.

IL&FS AIMS TO RESOLVE ITS DEBT

Troubled **INFRASTRUCTURE LEASING & FINANCIAL SERVICES** aims to resolve over Rs570bn of its Rs990bn debt pile, despite delays in the resolution process because of the pandemic.

Around Rs505bn of debt is expected to be resolved by March 2021, the company's board said in a progress report, with 18% already addressed as of end-June. Efforts towards resolution of additional Rs66bn of debt are likely to continue beyond March next year, as the board expects resolution of major holding companies to take a longer time.

The board had said in a previous update last October that it aimed to resolve half of the debt by March this year.

"So far whatever we have achieved, I do believe, is relatively successful given the current macroeconomic situation, because this has been a triple whammy for all of us: bad lending, no follow-up, and economic disaster all around," vice-chairman Vineet Nayyar told reporters on July 21.

The government seized control of IL&FS in October 2018 after a series of defaults by the group caused turmoil in the financial markets.

IL&FS has followed a three-pronged strategy to resolve, restructure and recover bad debts. The group is close to concluding the sale of 15 entities resulting in the resolution of nearly Rs85bn of debt and plans to restructure another Rs49bn.

IL&FS is proposing to set up one of India's largest infrastructure investment trusts (InvITs) under the resolution plan with a targeted gross value of Rs130bn, including three special purpose vehicles where debt of Rs50bn has been restructured.

The total number of group entities has fallen to 276 from 347, the company said, adding that only 60 group entities will remain by March next year, while preserving key national and road power assets.

INDIA'S BOND ETF OVERSUBSCRIBED

The second tranche of India's exchange-traded fund for public sector corporate bonds raised an estimated Rs109.92bn after it was oversubscribed three times.

India was targeting Rs30bn plus a greenshoe option of Rs110bn from the

second Bharat Bond ETF issue with maturities of April 2025 and April 2031. Subscriptions closed on July 17, with strong investor participation across all segments.

The funds will be used to invest in the constituents of the Nifty Bharat Bond Index, which tracks rated public sector companies.

State-owned companies including **OIL AND NATURAL GAS CORPORATION**, **HOUSING AND URBAN DEVELOPMENT CORP**, **HINDUSTAN PETROLEUM CORP** and **NLC INDIA** are planning to visit the rupee bond market soon to raise part of their borrowing requirements from the bond ETF, according to market sources.

The government, which is aiming to lower borrowing costs for participating public sector companies, raised over Rs124bn from the first tranche of the bond ETF in December with maturities of April 2023 and April 2030.

JK CEMENT SELLS FOUR-YEAR BONDS

JK CEMENT has raised Rs2.5bn from four-year bonds at 7.36%, payable semi-annually.

Care Ratings has assigned a AA rating to the building materials company's bonds. **HDFC Bank** is the arranger for the notes.

The coupon will be stepped up by 25bp if the rating is downgraded to AA-. If the rating falls below A+, the bond holder will reserve the right to recall the outstanding principal amount on the debentures.

PFC EYES TWO-PART BONDS

POWER FINANCE CORP is targeting up to Rs22bn from two-part bonds, according to market sources.

The Indian state-owned issuer is eyeing Rs9bn, including a Rs6.5bn greenshoe, from notes maturing on April 11 2025 and Rs13bn, including a Rs9.5bn greenshoe, from bonds due on April 11 2031.

Both greenshoes are reserved exclusively for the Bharat Bond Exchange Traded Fund.

Crisil, Icra and Care have assigned a AAA rating to the notes.

The issuer has asked investors to place bids on BSE's electronic platform on July 27 from 10:30am to 11:30am India time.

PFC is yet to make an official announcement on the planned bond sale.

PNB TO MARKET RS10BN TIER 2 BONDS

PUNJAB NATIONAL BANK is planning to raise up to Rs10bn from 10-year non-call five Basel III-compliant Tier 2 bonds, according to market sources.

It is eyeing Rs5bn plus a greenshoe option of the same amount.

Crisil and India Ratings have assigned AA+ ratings to the unsecured subordinated bonds.

The state-owned bank has asked investors to place bids on the electronic platform on July 27 from 11:00am to 12:00pm India time.

The lender is yet to make an official announcement on the planned bond sale.

› TATA GROUP COMPANIES TO SELL BONDS

TATA CAPITAL HOUSING FINANCE and **TATA CLEANTECH CAPITAL** are planning to sell a total of Rs5.5bn of bonds, according to market sources.

Tata Capital Housing aims to raise up to Rs5bn, including a Rs2.5bn greenshoe option, from three-year bonds and Tata Cleantech Capital is targeting a smaller deal of Rs500m from 10-year notes.

Crisil has assigned a AAA rating to both notes.

The non-bank lenders are yet to make an official announcement on the planned bond sales.

› THDC PRINTS 10-YEAR BONDS AT 7.19%

THDC INDIA has raised Rs8bn from a 10-year bond at 7.19%, according to market sources.

The state-owned hydropower company was targeting Rs3bn plus a greenshoe amount of Rs5bn.

Icra and Care have assigned a AA rating to the bonds.

THDC India is yet to make an official announcement on the bond sale.

› BANK OF BARODA PAYS MORE FOR ATIS

BANK OF BARODA paid 25bp more on a second tranche of Basel III-compliant Additional Tier 1 bonds but failed to raise the targeted amount.

The state-owned bank sold Rs9.81bn at 8.50% after printing Rs7.64bn at 8.25% on July 15. It was targeting Rs12.25bn, including a Rs10.25bn greenshoe.

Bank of Baroda is the first Indian lender to sell the quasi-equity instruments since Yes Bank's AT1 securities were written down in March, exposing investors to bail-in losses for the first time.

While bond yields have moved higher compared to a week ago, the deal shows investors are cautious and asked for a higher yield.

The issuer is yet to make an official announcement on the size and yield of the second tranche.

Recently, **STATE BANK OF INDIA** and **CANARA BANK** received board approvals to raise Rs40bn and Rs30bn from AT1 bonds respectively.

SYNDICATED LOANS

› ADANI GREEN SEEKS UP TO US\$1BN LOAN

ADANI GREEN ENERGY is in talks with lenders for a loan of up to US\$1bn to finance its renewable energy projects in India.

The developer is negotiating terms to borrow between US\$700m and US\$1bn to set up new projects or refinance operational ones.

The loan could use a 'restricted group' structure similar to its bonds, which ringfences a group of operating solar assets owned by AGEL's subsidiaries.

The deal size will depend on bank appetite and how many projects are included.

AGEL raised US\$862.5m in total in 2019 from two bond issues backed by solar generation assets with a combined capacity of 1.5GW.

The company had 2.545GW of operational capacity as of March-end, of which 2.148GW is solar and 397MW is wind powered. In February, AGEL agreed to transfer the solar assets to a new 50-50 joint venture with Total.

According to a company presentation in May, AGEL was also in the process of securing an up to US\$1.8bn revolving credit facility for construction purposes.

The developer had 3.4GW of renewable projects under construction as of March 31, and added a further 8GW of new projects to its pipeline in June when it won the world's largest solar award from Solar Energy Corp of India.

› IRFC ROLLS FORTH US\$300M YEN LOAN

State-owned **INDIAN RAILWAY FINANCE CORP** has launched a 10-year yen-denominated loan of up to US\$300m-equivalent into general syndication.

German state-owned development bank KfW joined the transaction as mandated lead arranger and bookrunner in the senior phase. Original MLABs *State Bank of India* and *Sumitomo Mitsui Banking Corp* pre-funded the deal in March, committing US\$150m apiece.

The loan pays an interest margin of 93.5bp over yen Libor and has a remaining life of 9.5 years.

Lead arrangers joining with commitments of ¥2bn (US\$19m) and above will earn an all-in of 100.3bp via a participation fee of 65bp.

Arrangers participating with ¥1bn–¥1.9bn receive an all-in of 98.2bp via a 45bp fee.

The deadline for commitments is at the end of August.

IRFC last raised a US\$300m-equivalent

seven-year yen borrowing last August.

That loan paid a top-level all-in pricing of 93bp based on an interest margin of 90bp over yen Libor and a remaining life of 6.75 years.

A year earlier, IRFC wrapped up a ¥26.231bn 10-year Samurai loan in September 2018 that offered a top-level all-in pricing of 100bp based on a margin of 80bp over yen Libor and a remaining life of 9.5 years.

Mizuho Bank, MUFG and SMBC were mandated lead arrangers and bookrunners of both the 2019 and 2018 loans.

EQUITY CAPITAL MARKETS

› BVG INDIA TO FILE FOR RS10BN IPO

Facility management company **BVG INDIA** plans to file a draft prospectus for an IPO of Rs10bn (US\$134m) in August and aims to launch it by the end of the year, people with knowledge of the transaction said.

Both primary and secondary shares will be sold. Founder HR Gaikwad and private equity fund 3i group are likely to sell shares in the IPO.

BVG is one of India's major integrated services companies and has 65,000 employees.

HSBC, *ICICI Securities* and *JM Financial* are the banks on the transaction.

INDONESIA

DEBT CAPITAL MARKETS

› ALAM SUTERA PLANS DOLLAR BOND

ALAM SUTERA REALTY plans to issue up to US\$485m of Reg S bonds, according to a filing with the Indonesian Stock Exchange, though its depressed secondary prices will make this challenging.

Proceeds will be used to help repay its US\$175m 11.5% bonds due April 22 2021 and US\$370m 6.625% bonds due April 22 2022.

The Indonesian property developer will seek approval for the proposed offering at its annual general meeting on August 26. In Indonesia, fundraisings equivalent to more than 50% of shareholder equity require approval by shareholders. Alam Sutera last week had a market capitalisation of around US\$170m.

Moody's downgraded Alam Sutera and its dollar bonds to Caa1 from B3 in March. In

April, S&P cut the company and its bonds to CCC+ from B-, while Fitch cut its ratings to B- from B.

The 2021s were bid last Monday at a cash price of 64 and the 2022s at 39, according to Refinitiv data.

» BANK COMMONWEALTH ANNOUNCES YIELD

Indonesia's **BANK COMMONWEALTH** plans to sell Rp1trn (US\$68m) of three-year bonds in a yield range of 6.50%–7.50%, according to the offer document.

Bookbuilding started on July 21 and closes on August 3. Fitch Ratings has assigned a AAA rating to the bonds.

BCA Sekuritas, BNI Sekuritas, Indo Premier Sekuritas and Mandiri Sekuritas are the lead arrangers for the notes.

The bond sale will help support asset growth and strengthen the bank's funding sources.

» PUPUK TO SELL THREE-TRANCHER

PUPUK INDONESIA has announced the yield ranges for a three-tranche bond offering to raise Rp2.5trn, according to the offer document.

The state-owned fertilizer producer has set the ranges at 6.25%–7.50% for a three-year tranche, 7.00%–8.30% for a five-year portion and 7.50%–8.75% for a seven-year piece.

The issue is the first tranche of a Rp8trn bond programme. The books opened on July 16 and close on July 30.

Pupuk plans to use around 40% of the proceeds to refinance maturing bonds, 35% to refinance bank loans at subsidiary Petrokimia Gresik and the rest to pay off a portion of working capital loans at another subsidiary, Pupuk Iskandar Muda.

BCA, BNI, Danareksa and Mandiri Sekuritas are said to be the arrangers for the bonds.

Fitch Ratings has assigned a AAA rating to the notes.

The bookbuilding period is from July 16-30 and the notes will be offered to the public from August 14-18.

» SOLUSI TUNAS PRATAMA EYES BONDS

Indonesian telecom tower operator **SOLUSI TUNAS PRATAMA** is aiming to raise up to Rp8trn from the domestic bond market or US\$400m from offshore dollar bonds, according to a filing on the Indonesia Stock Exchange.

"The current market conditions strongly support the issuance of bonds," the company said.

The bonds will be guaranteed by the company or its subsidiaries and are

expected to pay up to 8% for a maximum tenor of seven years.

The funds raised will be used to meet refinancing and working capital requirements and for general corporate purposes.

SYNDICATED LOANS

» ADARO UNIT SIGNS US\$350M REFI

Coal mining contractor **SAPTAINDRA SEJATI**, a unit of Adaro Energy, has signed a US\$350m self-arranged two-year refinancing with a dozen banks.

ANZ, Bank Mandiri, Bank of China, Bank Permata, CIMB, DBS Bank, HSBC, Mizuho Bank, OCBC, Qatar National Bank Indonesia, Sumitomo Mitsui Banking Corp and United Overseas Bank are the lenders of the deal, which closed as a club.

Adaro Energy is the guarantor of the transaction.

The proceeds raised will refinance a same-sized two-year financing obtained from over a dozen lenders in August 2018.

SIS provides services including exploration, drilling, contract mining and logistical support to Indonesia's coal mining industry.

JAPAN

DEBT CAPITAL MARKETS

» TOYOTA MOTOR CREDIT UPSIZES

TOYOTA MOTOR CREDIT (A1/A+/A+) on Monday priced a US\$750m two-year 0.45% senior unsecured bond at 99.938 to yield 0.481%, equivalent to Treasuries plus 33bp.

This was inside initial price thoughts of low 50s and at the tight end of guidance of 35bp area, plus or minus 2bp.

Books reached US\$1.5bn, allowing the deal size to be increased beyond the initial target of US\$500m.

Castle Oak, Citigroup, GPS, Ramirez and Siebert were active bookrunners for the SEC-registered offering.

SYNDICATED LOANS

» SONNEDIX SWITCHES ON ¥18BN SOLAR PF

SONNEDIX has raised a ¥17.5bn (US\$164m) loan for a 40MW solar photovoltaic

power plant in Fukushima prefecture, the independent solar power producer said in a statement on Monday.

Bank of Fukuoka, Bank of Yokohama, Fukushima Bank, Jyo Bank, Sumitomo Mitsui Trust Bank and Toho Bank participated in the club deal.

The financial close was on July 10.

Daiwa House Industry is the engineering, procurement and construction contractor for the project in Soma city, which is expected to be completed in early 2022.

Sonnex Japan manages 133MW of solar PV capacity currently in operation in the country, with a further 205MW of capacity under construction.

Sonnex is a unit of Bermuda-incorporated Sonnex Power Holdings.

» JOGMEC PRICES LOAN AT ZERO INTEREST

JAPAN OIL GAS & METALS NATIONAL CORP has priced a ¥30.992bn one-year bullet loan at zero interest rate, its third such borrowing of the year.

The interest rate on the government-guaranteed loan was determined through a conventional auction that met with a heavy oversubscription, the state-backed company said in a statement last Wednesday.

Mizuho Bank was the agent.

Drawdown is slated for August 11 and proceeds will be for operating funds.

JOGMEC taps the loan market multiple times in a year and its previous visit was in April for a ¥480.33bn one-year bullet term loan with a similar structure and zero interest rate.

» TAKARA LEBEN REIT TO REFI ¥15BN LOAN

TAKARA LEBEN REAL ESTATE INVESTMENT is set to sign a ¥15bn bullet term loan on July 28 for refinancing, the real estate investment trust said last Wednesday.

Sumitomo Mitsui Banking Corp is the mandated lead arranger, while Aozora Bank, Asahi Shinkin Bank, Ashikaga Bank, Bank of Fukuoka, Iyo Bank, Minato Bank, Mizuho Bank, Nishi-Nippon City Bank, Resona Bank, Shinsei Bank, Sumitomo Mitsui Trust



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Bank and Tochigi Bank have joined in syndication.

The loan is split into a ¥4.95bn two-year floating-rate tranche paying an interest margin of 30bp over three-month Tibor and a ¥10.05bn five year fixed-rate portion, the interest on which is yet to be determined.

Drawdown is slated for July 30.

The Tokyo-listed REIT mainly invests in office and residential properties nationwide.

EQUITY CAPITAL MARKETS

OPEN HOUSE PRICES FOLLOW-ON

TSE-listed real estate agent and broker **OPEN HOUSE** has raised ¥40.4bn (US\$376m) from a follow-on offering of shares, after pricing it at the tight end of the range at ¥3,104 per share.

It issued 8.3m primary shares and 4.7m treasury shares at a 3% discount to July 20's closing price of ¥3,200. The deal was marketed in an indicative discount of 3%–6% to the market close.

There is an overallotment option of 1.9m shares.

The international portion was around eight times covered with around 90 investors participating. Allocations were highly skewed towards existing shareholders and roadshow meeting

participants. The top 20 investors took around 80% of the offer.

Due to the strong demand, there was a shift of 5% of the allocation to the international tranche, which took 70% of the deal. Domestic retail investors took 25% and local institutions 5%.

The domestic retail book was more than 15 times oversubscribed, while the domestic institutional book was over five times covered, with demand from domestic asset managers and existing shareholders.

SMBC Nikko was the sole global coordinator and bookrunner.

MALAYSIA

DEBT CAPITAL MARKETS

PRIMA SCORES A RETURN

PERBADANAN PRIMA MALAYSIA last Wednesday raised M\$1bn (US\$235m) from five and seven-year sukuk priced at par to yield 2.38% and 2.58% respectively.

Each tranche was fixed at a size of M\$500m. The sukuk are guaranteed by the federal government of Malaysia.

Price guidance on the five-year tranche had been tightened to 2.34%–2.41% from

the initial 2.34%–2.44% and the seven-year piece to 2.54%–2.61% from 2.54%–2.64%.

This is the state-backed company's first bond offering since 2017, when it sold M\$2.5bn of five and seven-year sukuk. **PR1MA**, under the control of Malaysia's Ministry of Finance, was set up in 2012 to develop and maintain housing for middle-income urban households.

AmInvestment Bank, *CIMB*, *Maybank* and *RHB* were joint lead managers.

Settlement is scheduled for July 30, with the notes to be drawn from a M\$5bn government-guaranteed sukuk murabaha programme.

CELCOM RINGS FOR SUKUK

CELCOM NETWORKS plans a return to the bond market after a three-year absence as the maturity of an outstanding M\$1.5bn 3.9% bond looms on August 29.

CIMB Investment Bank and *Maybank Investment Bank* are joint lead managers for the deal, for which no size or tenors have been disclosed. Bookbuilding is scheduled for the week of August 10.

The proposed sukuk, rated AA+ by Marc, will be drawn from a M\$5bn sukuk murabaha programme.

The Malaysian telecom company, owned by *Celcom Axiata*, made its last bond sale of M\$1bn in August 2017 when it sold five,

Genting plans to expand Empire

Bonds Malaysian casino operator plans bond issue by US acquisition

EMPIRE RESORTS, a loss-making US casino that was taken private last year by Genting Malaysia and the chairman of its parent company, has hired banks for a proposed US dollar bond offering.

The owner and operator of the Resorts World Catskills integrated casino resort and the Monticello Raceway in New York state hired banks to arrange calls with investors in Asia, the US and Europe last week.

BNP Paribas, *Citigroup* and *DBS* are joint bookrunners.

A US dollar five-year non-call two benchmark offering of 144A/Reg S senior secured bonds may follow, subject to market conditions. The issue size is expected to be US\$475m.

Malaysia's *Kien Huat Realty III* owns 51% of *Empire Resorts* and *Genting Malaysia* 49%, after the two took the company private in November 2019. The former is an affiliate of *Lim Kok Thay's Kien Huat Realty* which owns 43% of *Genting Berhad*, which

in turn owns a 49.5% stake in *Genting Malaysia*.

The issuer is rated B+/B (S&P/Fitch) and the notes are expected to have a keepwell deed from *Kien Huat Realty* and *Genting Malaysia*. The bonds have expected ratings of B+/B+ (S&P/Fitch).

Genting already operates *Resorts World New York* and is developing a casino in Las Vegas that is due to open in 2021. *Resorts World Las Vegas's* US\$1bn 10-year bond sold in April last year also came with a keepwell deed, which was provided by *Genting Berhad*.

The Malaysian company plans to bring *Empire Resorts* under an umbrella with the rest of its US operations.

The *Catskills* resort opened in February 2018 and was losing money even before it was ordered to close in mid-March this year to curb the spread of the coronavirus.

Empire Resorts announced in August 2019 that it was considering filing for

Chapter 11 bankruptcy proceedings if it could not restructure its debt and complete the takeover, but in the end *Genting Malaysia* agreed to subscribe for US\$40m of preferred shares, while *Kien Huat* injected a further US\$25m, bringing its total investment in preferred stock to US\$151m. *Empire Resorts'* debt stood at US\$540m at the end of December.

S&P estimated that *Empire Resorts* burns through around US\$5m per month while it is closed.

The rating agency downgraded *Genting Berhad* and *Resorts World Las Vegas* to BBB and BBB–, respectively, from BBB+ and BBB in May, warning: "The Covid-19 pandemic is hitting the *Genting* group harder and longer than we anticipated."

It had already downgraded both by a notch in December, noting that the *Empire* acquisition and other expansion plans would keep leverage high.

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seven and 10-year sukuk at 4.85%, 5.05% and 5.20%, respectively.

UOB MALAYSIA PRICES TIER 2

UNITED OVERSEAS BANK MALAYSIA, rated AAA by RAM, last Thursday priced a M\$750m 10-year non-call five subordinated bond offering at 3%.

This was at the tight end of revised guidance of 3%–3.05%, from initial guidance of 3%–3.1%.

Total orders were over M\$1.5bn, allowing the issuer to achieve its maximum target size. Asset managers bought 60%, insurers 22%, and banks and private banks 18%.

The Tier 2 bonds are expected to be rated AA1 by RAM.

CIMB Investment Bank, HSBC Bank Malaysia and UOB Malaysia were joint lead managers. The target issue date is August 3.

EQUITY CAPITAL MARKETS

LOOB DELAYS UP TO M\$300M IPO TO Q4

LOOB HOLDING, the owner of the Tealive bubble tea franchise, has pushed back a Bursa Malaysia IPO of up to M\$300m (US\$71m) to the fourth quarter or early next year from the third quarter because of volatile stock market conditions, a person

with knowledge of the transaction said.

CIMB is the bank on the transaction.

Loob Holding, which also owns food and beverage brands such as Ko Kai and Define Food, has outlets in Malaysia, China, Vietnam and Australia.

NEW ZEALAND

SYNDICATED LOANS

GRAHAM PACKAGING SETS TERMS ON TLB

Container manufacturer GRAHAM PACKAGING last Wednesday set the terms for a US\$1.41bn loan.

The seven-year loan is being offered at 400bp over Libor with a 0.75% floor, a 98.0–98.5 original issue discount and 101 soft call protection for six months.

The company is also raising a US\$100m revolving credit facility.

Credit Suisse and HSBC are arranging the transaction.

Lenders will have until 5pm on July 29 to commit to the terms of the deal.

Proceeds from the term loan will refinance debt held by New Zealand-headquartered packaging manufacturer Reynolds Group, of which Graham

Packaging is a business segment.

On July 9, Reynolds Group said in a press release that it intended to raise standalone financing for Graham Packaging.

The financing will enable Reynolds Group and Graham Packaging to better operate as standalone businesses, according to the press release.

It will also allow for the legal separation of the two businesses in the future if Graham ceases to be a subsidiary of Reynolds Group, the company said.

PHILIPPINES

DEBT CAPITAL MARKETS

SAN MIGUEL PRINTS PERP

Philippine conglomerate SAN MIGUEL CORP has priced US\$500m senior perpetual non-call five securities at par to yield 5.5%, inside initial guidance of 5.875% area.

Final deal statistics were not available at the time of writing but orders were said to be over US\$2.2bn at the time of final guidance.

The unrated perps will be issued off a US\$3bn EMTN programme. The coupon will reset at the initial spread of 523.7bp over

Petron expected to breach financial covenant

Loans Oil refiner to formally request waiver for 2019 and 2017 loans

Philippine oil refiner PETRON has informed lenders that it is expected to breach the financial covenant on two loans raised in 2019 and 2017.

The covenant relates to Petron's consolidated net adjusted debt to consolidated Ebitda, which is expected to be above 6.5 times as of June 30 2020.

The lenders are expected to receive a formal waiver request at a later time.

The loans in question are a US\$800m five-year facility raised in April last year and a US\$1bn five-year financing completed in June 2017.

ANZ, Bank of China, DBS Bank, Mizuho Bank, Sumitomo Mitsui Banking Corp and Standard Chartered were the mandated lead arrangers and bookrunners of the 2019 facility, which paid a top-level all-in pricing of 113bp based on an opening interest margin of 95bp over Libor.

The margin is adjusted according to a

leverage ratio grid: 130bp for a net leverage ratio of 6.0 times–6.5 times, 110bp for a net leverage ratio of 5.5 times–6.0 times, and 95bp for a net leverage ratio of less than 5.5 times.

ANZ, BOC, SMBC and StanChart were the MLABs on the 2017 borrowing, which paid a top-level all-in pricing of 141bp based on an opening margin of 120bp over Libor.

The margin is also adjusted to a leverage ratio grid: 140bp for a net leverage ratio of 6.0 times–6.5 times, 120bp for a net leverage ratio of 5.5 times–6.0 times, and 100bp for a net leverage ratio of less than 5.5 times.

The latest development comes as Petron is also reaching out to relationship banks for a three-year refinancing of around US\$350m.

The refinancing, which could be syndicated, needs to be completed this year as Petron has a US\$550m five-year term loan due in November.

MUFG, CTBC Bank, DBS, Maybank, Mizuho, StanChart and SMBC were the

MLABs of the facility, which attracted 25 other lenders in general syndication.

The November 2015 deal paid a top-level all-in pricing of 211.92bp based on a margin of 195bp over Libor and an average life of 3.25 years.

In March, Petron signed a ¥15bn (US\$139m) debut five-year Samurai loan, increasing it from an original US\$100m-equivalent target.

Development Bank of Japan came in to share the MLA title with Mizuho, MUFG, and SMBC, while Shinsei Bank joined as lead arranger.

The loan was originally available in both US dollars and yen with margins of 110bp over Libor and 75bp over yen Libor, respectively. However, no bank joined the US dollar tranche due to rising funding costs as a result of which the deal closed as a Samurai loan.

EVELYNN LIN

five-year Treasuries plus a 500bp step-up if there is no call on the first call date of July 29 2025.

Proceeds from the Reg S issue will be used to finance investments and various projects, to refinance debt and for general corporate purposes.

Bank of America and *Standard Chartered* were joint global coordinators. They were also bookrunners with *DBS*.

San Miguel said in May it was planning to raise up to US\$1bn from perpetual securities in dollars or pesos, according to a filing with the Philippine Stock Exchange.

Its businesses include food and beverages, energy, infrastructure and packaging, and its sales were equivalent to 5.9% of Philippine GDP in 2018, according to the company.

▶ PB ACCOUNT LEADS DOUBLEDAGON BOND

Philippine developer **DOUBLEDAGON PROPERTIES** has raised US\$75m from a five-year non-call two guaranteed bond.

The senior unsecured notes priced at par to yield 7.25%, in line with initial price guidance of 7.25% area.

The unrated Reg S deal was the company's debut US dollar bond offering, according to Refinitiv data.

A banker on the deal said the transaction originated from Philippine investors and was sold mainly to private banks.

Wholly owned subsidiary DDPC Worldwide Pte is the issuer and DoubleDragon Properties is the guarantor.

The bonds have a change of control put option at 101.

Proceeds will be used to finance capital expenditure, refinance existing debt and for general corporate purposes.

Credit Suisse was sole global coordinator as well as joint lead manager and bookrunner with *PNB Capital*.

DoubleDragon Properties' net income last year reached Ps10.65bn (US\$215.6m), up 43.5% from the previous year. The company was listed on the Philippine Stock Exchange in 2014.

▶ MEGAWORLD SELLS UNRATED BOND

Property company **MEGAWORLD** last Thursday priced US\$350m 4.125% seven-year senior unsecured bonds at 98.506 to yield 4.375%, inside initial guidance of 4.625% area.

Final orders were not announced, but demand peaked at over US\$1bn before guidance was narrowed.

Asia took 92% of the unrated Reg S bonds and EMEA 8%. Banks booked 54%, asset managers and fund managers 39%, and private banks 7%.

Citigroup and *HSBC* were joint global

coordinators. They were also joint bookrunners with *Credit Suisse* and *JP Morgan*. The bonds were slightly softer in Friday trading.

Proceeds will be used for general corporate purposes, including financing capital expenditure, land banking and refinancing loans.

Megaworld last visited the dollar market in 2018, when it sold US\$200m perpetual non-call five fixed-for-life bonds at 5.375% via *JP Morgan*.

Founder and chairman Andrew Tan has a 67.6% stake in the developer through Alliance Global Group and other related parties.

▶ SECURITY BANK UPSIZES BOND ISSUE

SECURITY BANK has upsized a two-year bond issue that closed early on the back of strong demand to Ps13.5bn from Ps5bn, according to a filing on the Philippine Stock Exchange.

The 3.125% notes, which are being listed on July 24, received subscription of 2.7 times. The bank closed the deal on July 3 instead of July 15.

Philippine Commercial Capital was sole bookrunner and joint lead arranger and selling agent along with *SB Capital Investment Corp*.

The notes come under a Ps100bn bond and commercial paper programme registered with the Securities and Exchange Commission.

In June last year, Security Bank raised Ps18bn from a maiden issue of two-year bonds at 5.875%.

▶ SM INVESTMENTS TO SELL BONDS TO QIBS

SM INVESTMENTS CORP is planning to sell Ps5.6bn 18-month fixed-rate peso notes at a yield of 2.875%, according to a filing on the Philippine Stock Exchange.

The Philippine conglomerate will place the notes with qualified institutional buyers.

BDO Capital and *China Bank Capital* are the joint lead arrangers. The notes, which are rated Aaa by *PhilRatings*, are registered with Philippine Dealing and Exchange Corp.

SYNDICATED LOANS

▶ ABS-CBN TUNES IN FOR LONG-TERM DEBT

Manila-based **ABS-CBN CORPORATION** is in discussions with its lenders for long-term debt after lawmakers in the Philippines rejected a renewal of the 25-year licence for the country's top broadcaster on July 10.

The broadcaster and its creditor banks are confident that, with the proper security in place, the company's obligations will be satisfied, according to a company announcement on Thursday.

ABS-CBN is also confident that any payments or financial obligations that may arise are manageable and will not have a material adverse impact on the company for the time being.

"We are not aware of other material contracts, nor have we received any claims or demands, the payment obligations of which will be adversely affected by the resolution," the company said.

Critics saw the rejection as part of a political vendetta by president Rodrigo Duterte's allies in Congress after the media conglomerate angered him for its failure to air some of his paid 2016 election campaign commercials, Reuters reported on July 12. The network has apologised.

In order to mitigate the impact of the denial of franchise application and Covid-19, ABS-CBN has adopted and continues to implement cost control measures, including reducing general administrative expenses or overhead, and better managing its capital expenditure.

Free-to-air advertising contributed to approximately 50% of the company's unaudited consolidated revenue for the period ended September 30 2019, according to the press release.

ABS-CBN's last loan was a Ps5bn (US\$95m then) 10-year bilateral from Union Bank of the Philippines in May 2019. Proceeds were used for capital expenditure and general corporate purposes.

EQUITY CAPITAL MARKETS

▶ DOUBLEDAGON TO HIRE BANKS FOR IPO

DOUBLEDAGON PROPERTIES is close to hiring foreign banks *CIMB*, *Credit Suisse*, *DBS*, *Maybank Kim Eng*, *Macquarie* and *Nomura* as well as local banks *Asia United Bank*, *PNB Capital* and *Rizal Commercial Banking Corp* for an up to Ps17bn (US\$342m) real estate investment trust listing in October.

The syndicate will be finalised when the REIT application is submitted to the Philippine Securities and Exchange Commission in August.

DD MERIDIAN PARK REIT is targeting a yield of 5.5%–6.5%. Last week, DoubleDragon Properties raised US\$75m from a five-year bond at a 7.25% coupon.

The REIT will consist of seven buildings with a total area of 248,349 square metres in Metro Manila and an estimated asset value of Ps51bn.

This will be the second REIT to be launched in the Philippines. AREIT is set to raise Ps12bn from an IPO priced at Ps27.

Around 33.33% of the DD Meridian Park REIT will be listed and all the proceeds from the listing will be reinvested in domestic real estate.

AREIT IPO SET TO RAISE PS12BN

AREIT, previously known as AyalaLand REIT, is set to raise Ps12bn from the Philippines' first real estate investment trust IPO after pricing it at Ps27 per share.

The IPO was priced from a Ps25.00–Ps29.50 range which implies a 2021 yield range of 5.37%–6.34%. The final price represents a yield of 5.9%. Demand was strong from long-only institutions.

AREIT is selling 457m shares (409m secondary/48m primary). There is an overallotment option of 45.7m secondary shares.

The tranche for local retail and trading participants is from July 27–August 3. The shares will start trading on August 13.

AREIT's portfolio comprises three commercial buildings in Makati city, Manila's central business district, including the newly constructed Ayala North Exchange. The trust also intends to purchase an office building in Cebu.

Ayala Land is a unit of conglomerate Ayala, which has interests in retail, power, telecoms, banking, healthcare and utilities.

AREIT will use the proceeds for investments in real estate in Metro Manila and elsewhere in the Philippines.

BPI Capital is the sole global coordinator and bookrunner with *UBS*. The two are also joint lead underwriters with *PNB Capital* and *SB Capital*.

SINGAPORE

DEBT CAPITAL MARKETS

STT TELEMEDIA RETURNS IN STYLE

ST TELEMEDIA GLOBAL DATA CENTRES raised S\$400m (US\$289m) last Tuesday from the sale of eight-year bonds priced at par to yield 3.13%.

Final pricing, with a spread of 237.5bp over Singapore dollar SOR, was tightened from initial price guidance in the 3.35% area.

Demand was robust with books of over S\$3bn from 120 accounts. Fund managers, sovereign wealth funds and public sector investors bought 54% of the deal, private banks 35%, and banks and corporate

investors 11%. Singapore accounted for 94% of the bonds.

The unrated notes will be issued by funding vehicle STT GDC and will be drawn from a S\$1.5bn multi-currency debt issuance programme.

Proceeds will be used for general corporate needs, including debt refinancing and the funding of investments, acquisitions, working capital and capital expenditure.

DBS and UOB were joint global co-ordinators as well as joint lead bookrunners with *Credit Suisse* and *Standard Chartered Bank*.

The deal comes less than a year after the Singapore data centre services provider sold a S\$225m five-year 3.59% bond that attracted over S\$1.1bn of demand last September.

KEONG HONG SEEKS EXCHANGE

KEONG HONG HOLDINGS is inviting holders of S\$85m of its 5.75% notes due 2021 to exchange them for new notes maturing in 2023 that will pay a higher coupon.

The new notes, to be issued at par, will have a minimum 6.25% coupon and will be offered to new investors as well. They will be issued off a S\$200m multi-currency MTN programme.

The Singaporean construction and property company said the outstanding bonds are due to mature on September 15 2021.

Airbus flies into Asia with rare loan

Loans Borrowing linked to promissory notes from Singapore Airlines

European aerospace company Airbus is tapping a borrowing of up to US\$400m linked to promissory notes owed to it by an Asian airline in a rare structure for the region's loan markets.

Citigroup is the sole bookrunner of the borrowing, which is linked to promissory notes from Singapore Airlines Ltd that carry maturities of between six months and two years.

SQ ASSET I, a Cayman Islands-incorporated special purpose vehicle, is the borrower, which is raising the loan to buy the promissory notes from Airbus.

The purchase of the promissory notes will be at a discount of 2.4%, which effectively serves as the interest margin on the loan, which is expected to have an average life of around 1.35 years.

Citigroup has invited banks to join on three levels: MLABs joining with US\$50m or above earn upfront fees of 65bp, MLAs taking

US\$35m–\$50m receive 50bp and lead arrangers with US\$20m–\$35m are offered 35bp.

The deadline for responses is August 18. Repayments of the loan will take place as and when Singapore Airlines honours its obligations on the promissory notes.

That means the loan represents Singapore Airlines risk for lenders and a rare opportunity to book exposure to the Asian carrier.

In the past couple of years, Singapore Airlines has completed aircraft financings on a club basis.

On Thursday, the carrier announced it had raised S\$750m (US\$542m) secured against some of its Airbus and Boeing aircraft to shore up liquidity amid plummeting demand due to the coronavirus pandemic.

It followed an earlier announcement in June about a S\$900m financing secured against its aircraft. Singapore Airlines had also arranged new lines of credit and a short-

term loan with several banks for further liquidity of more than S\$500m.

In March last year, the airline obtained S\$900m through a 10-year aircraft financing from six banks after completing another loan of identical size and tenor with six lenders in August 2018, according to Refinitiv LPC data.

In March this year, Singapore Airlines obtained a S\$4bn bridge loan from DBS Bank to support its near-term liquidity requirements as it faced the impact of the coronavirus pandemic. It repaid S\$2bn of the bridge loan in June from the proceeds of a S\$8.8bn jumbo rights issue.

Meanwhile, Airbus obtained a €15bn (US\$17.41bn) credit facility to bolster liquidity in response to Covid-19.

The new financing, which is in addition to the company's existing €3bn revolving credit facility, was a conversion of an existing €5bn revolver into a new €15bn facility.

PRAKASH CHAKRAVARTI

Trafigura offers same pricing as 2019

Loans Commodities trader launches US\$1bn borrowing

Commodities trader **TRAFIGURA BEHEER** has launched a US\$1bn-equivalent financing, offering the same pricing as it did on its visit to the loan market last year.

Standard Chartered Bank and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the US dollar facility, while *Agricultural Bank of China* and *China Construction Bank* are the active bookrunners of the renminbi tranche.

The new borrowing comprises a 365-day US dollar revolving credit facility (tranche A), a one-year renminbi term loan (tranche B) and a three-year US dollar term loan (tranche C). All the tranches carry two 365-day extension options.

Banks are being invited to participate in either tranche A and/or tranche C, which pay interest margins of 65bp and 110bp over Libor, respectively.

Lenders committing an aggregate amount of US\$100m or above to both tranches will be MLAs and receive top-level all-in pricing of 95bp and 140bp, respectively, via participation fees of 30bp and 90bp.

Those joining with US\$50m–\$99m as

lead arrangers earn all-ins of 92.50bp and 138.33bp for tranches A and C, respectively, via fees of 27.50bp and 85bp. Banks taking US\$10m–\$49m as arrangers receive all-ins of 90bp and 136.67bp for tranches A and C, respectively, via fees of 25bp and 80bp.

Tranche B pays a margin of 100bp over CNH Hibor. MLAs taking US\$45m-equivalent or above receive top-level all-in pricing of 130bp via a participation fee of 30bp, while lead arrangers coming in for tickets of US\$30m–\$44m earn an all-in of 127bp through fees of 27bp. Arrangers joining with US\$10m–\$29m are offered an all-in of 125bp via a 25bp fee.

The deadline for commitments is August 28.

Singapore-based Trafigura is the borrower and is raising the funds for refinancing and general corporate purposes.

The pricing on the latest loan is similar to that on a US\$1.50bn-equivalent loan Trafigura closed last September. That borrowing comprised a US\$750m 365-day revolver (tranche A), a US\$875m-equivalent one-year renminbi term loan (tranche B) and a US\$300m three-year term loan (tranche C).

DBS Bank, Industrial & Commercial Bank of China London branch, StanChart and SMBC were the MLAs of the facility. CCB and ICBC were the active bookrunners of the renminbi tranche. CTBC Bank was the coordinator of the Taipei bank meeting.

Last month, Trafigura Trading, a subsidiary of Trafigura Group Pte Ltd, signed a US\$4bn loan to renew its North American borrowing base credit facility.

The one-year facility was reduced from US\$4.395bn because of a smaller financing need amid lower commodity prices, the company said.

MUFG, Natixis and Societe Generale were lead arrangers and joint bookrunners on the financing. MUFG also acted as administrative agent.

In June, Trafigura posted a 27% year-on-year rise in net profit to US\$542m for the six months to March 31 2020, its highest first-half net profit since 2016. This was despite US\$580m of impairments as its oil and metals trading divisions thrived in the extreme volatility caused by events in the Middle East and the coronavirus pandemic. CHIEN MI WONG, EVELYNN LIN, MIRZAAN JAMWAL

The offer will expire on August 5 with pricing and the issue size to be fixed the day after, or no later than August 13.

HSBC is sole dealer manager for the exchange offer and for the new notes, while *Deutsche Bank* is exchange agent for the offer.

SYNDICATED LOANS

KEPPEL PACIFIC OAK US REIT REFINANCES

Singapore-listed Keppel Pacific Oak US REIT has raised a US\$ 115m five-year term loan, the REIT's manager said in an exchange filing on July 16.

KORE's trustee, **PERPETUAL ASIA**, is the borrower on the loan, which will be used for the early refinancing of borrowings that were raised during the REIT's initial public offering in November 2017 and are due in November 2021.

Under the terms and conditions of the facility agreement, the borrower has to prepay any outstanding loans within 10 business days if REIT manager Keppel Pacific Oak US REIT Management ceases to be owned by current sponsors Keppel

Corp and KBS Pacific Advisors Pte or their subsidiaries and KBS shareholder Pacific Oak Capital Advisors.

Cross-defaults under other borrowings of KORE and its subsidiaries that would be triggered total approximately US\$679.4m as of July 16.

KORE is a technology-focused office REIT in the United States with over 50% of its 13 asset portfolio located in Seattle, Denver and Austin. The remainder of the portfolio is located in Houston, Dallas, Orlando, Sacramento and Atlanta.

MANULIFE REIT BAGS US\$50M BILATERAL

Singapore-listed **MANULIFE US REAL ESTATE INVESTMENT TRUST** has obtained a US\$50m revolving credit facility from *DBS Bank*.

The four-year loan will be used for general corporate and working capital purposes, according to a stock exchange filing last Thursday.

Security for the loan includes share charges over the Singapore subsidiaries of Manulife US REIT and the assignment of certain bank accounts and/or assignments of certain inter-company loans.

Under the terms and conditions of the facility agreement, the borrower would be in default if the manager, Manulife US Real Estate Management Pte Ltd, ceases to be owned by Manulife, or the trustee changes without an immediate replacement or the manager is removed and not replaced within 60 days.

A breach would lead to cross defaults on US\$1.17bn in borrowings by the REIT and its subsidiaries as of July 23.

In May the REIT signed its debut US\$100m green loan with OCBC Bank to refinance the Peachtree office building located in Atlanta, Georgia.

Manulife US REIT invests in a portfolio of income-producing office real estate in key markets in the United States. Its portfolio comprised nine office properties located in California, Georgia, New Jersey, Washington DC and Virginia as of December 31 2019.

DRT BORROWS FOR CHINA MALLS BUY

Dasin Retail Trust has obtained a multi-tranche borrowing of S\$228.5m to finance the acquisition of two malls in China's Guangdong province.

The company's trustee-manager **DASIN RETAIL TRUST MANAGEMENT** signed a two-year term loan of up to S\$134.22m-equivalent that is split into Singapore and US dollar tranches, according to a filing of the Singapore-listed real estate investment trust on July 16.

DBS Bank and China Citic Bank International Singapore branch are the lenders on the offshore facility, which pays all-in interest of 2.65% and 2.48% per annum for the Singapore and US dollar portions.

Dasin Retail Trust's indirect wholly owned subsidiary **FOSHAN DASIN COMMERCIAL MANAGEMENT** signed a five-year renminbi-denominated term loan of around S\$94.3m equivalent with DBS Bank Guangzhou branch, Guangdong Shunde Rural Commercial Bank and Hang Seng Bank Zhongshan branch.

The all-in interest of the onshore facility is estimated to be 5.35% at the date of drawdown, the filing said.

Proceeds will be used for the acquisition of Shunde Metro Mall and Tanbei Metro Mall, which was completed on July 8 for S\$375m.

Dasin Retail Trust's sponsor Zhongshan Dasin Real Estate and its trustee-manager's chairman, Zhang Zhencheng, were the sellers.

Dasin Retail Trust's manager financed the deal through a combination of debt, equity and internal funding.

The latest deal brings the portfolio to seven retail malls located in Foshan, Zhuhai and Zhongshan cities in China.

RESTRUCTURING

FALCON GETS EXTENSION

The Singapore High Court has extended the moratorium on legal proceedings against **FALCON ENERGY GROUP** to July 30 from July 20.

A hearing will also be held on July 30 on an application from the Singaporean oil and gas services company to present a revised scheme of arrangement for the restructuring of its debt. The outstanding debt includes S\$50m (US\$36.7m) of bonds due on September 19. Under the current plan, bondholders have been asked to swap half of their investments for equity and convert the other half into convertible bonds.

Rajah & Tann Singapore is Falcon's legal adviser and *KPMG Services* is the independent financial adviser.

SOUTH KOREA

DEBT CAPITAL MARKETS

MIRAE ASSET DAEWOO PRINTS

Securities firm **MIRAE ASSET DAEWOO** has raised US\$600m from a dual-tranche Reg S bond offering that was covered almost six times.

A US\$300m 2.125% three-year portion priced at 99.734 to yield 2.217%, or Treasuries plus 205bp, while a US\$300m

2.625% five-year note priced at 99.586 to yield 2.714%, or Treasuries plus 245bp.

Both tranches priced at the tight end of final guidance and 45bp inside initial guidance.

The three-year bond received final orders of over US\$1.65bn from 112 accounts. Asian investors took 91% and the rest went to EMEA. Asset managers and fund managers bought 67%, banks 16%, insurers and public institutions 13% and private banks and corporates 4%.

The five-year note received final orders of over US\$1.9bn from 148 accounts. Asia bought 88% and EMEA 12%. Asset managers and fund managers took 79%, banks 9%, insurers 8% and private banks and corporates 4%.

The senior unsecured notes have expected ratings of Baa2/BBB (Moody's/S&P), in line with the issuer.

Citigroup, *Daiwa*, *HSBC*, *Mirae Asset Securities (HK)* and *Societe Generale* were joint bookrunners.

Mirae Asset Daewoo previously visited the international bond market in April last year to raise US\$600m from a dual-tranche.

EQUITY CAPITAL MARKETS

SK IET TARGETS US\$1BN KRX IPO

South Korea's SK Innovation is planning a KRX IPO for its subsidiary **SK IE TECHNOLOGY** as early as next year to raise up to US\$1bn, said people close to the deal.

GS Caltex brings refined deal in rough times

Bonds Oil company benefits from robust credit fundamentals

Oil refiner **GS CALTEX** has raised US\$300m from a five-year Reg S bond offering that was over eight times subscribed, shrugging off uncertainties over the coronavirus and oil prices.

The 1.625% senior unsecured notes priced at 99.671 last Monday to yield 1.694% or Treasuries plus 142.5bp, which was the tight end of final guidance and inside initial guidance in the 190bp area.

The deal received final orders of over US\$2.5bn from 167 accounts after peaking at over US\$3.6bn when final guidance was announced.

"Quality accounts stayed on but some investors dropped out of the deal due to tight pricing that was helped by a relatively clear window with not much competition and

strong investor feedback post roadshow," said a banker on the deal.

The new bonds paid zero to negative new issue concession, referencing the company's existing 2024s that were seen at a spread of around Treasuries plus 140bp, according to the banker.

Despite the tight pricing, the new bond traded inside reoffer in secondary throughout last week. The notes were seen at Treasuries plus 140bp area last Friday, according to Tradeweb.

Both Moody's and S&P expect weak operating performance for GS Caltex this year, but cited its disciplined financial policy and low debt level as pointing towards a recovery in credit metrics in 2021-22.

GS Caltex's Baa1 rating by Moody's reflects a two-notch uplift based on the rating agency's expectation that the company will receive support from its US parent, Chevron, rated Aa2 by Moody's, and institutional support from the Korean government in times of need.

Asia took 92% of the bonds and the rest went to EMEA accounts. Asset managers bought 70%, banks 15%, insurance and public institutions 10% and private banks and others 5%.

The bonds have expected ratings of Baa1/BBB (Moody's/S&P), in line with the issuer.

Citigroup, *Credit Agricole CIB*, *HSBC* and *JP Morgan* were joint bookrunners.
JIHYE HWANG

The listing is expected to be the country's largest next year, the people said. The market capitalisation of the unit could be US\$5bn, said one of the people. Other market participants are expecting a valuation of at least US\$3bn-\$4bn, according to local news reports.

IFR reported earlier this month that JP Morgan and Mirae Asset Daewoo had been appointed as the joint bookrunners and joint lead managers with Korea Investment & Securities.

More foreign managers may be hired later this year, said one of the people.

SK IE Technology was launched as a spin-off of SK Innovation in April last year. Its primary business includes lithium-ion battery separators used in electric vehicle batteries, and flexible cover windows that can replace glass displays for foldable smartphones.

The company is adding production facilities in China and Poland to meet growing demand.

SK IET did not respond to an email seeking comment.

TAIWAN

SYNDICATED LOANS

WIN SEMICONDUCTORS EYES US\$100M

Taiwanese computer chip maker Win Semiconductors is seeking a US\$100m incremental facility from new and existing lenders of a US\$100m three-year loan completed in June last year.

Far Eastern International Bank is the lead arranger and bookrunner of the incremental facility.

The latest facility offers an identical interest margin of 50bp over Libor as the previous loan. The borrower will pay any excess interest rate beyond a 40bp difference between TAIEX and Libor.

Banks are being invited to join as MLAs with commitments of US\$30m or more for an upfront fee of 20bp, as managers with US\$20m-\$29m tickets for a 16bp fee, or as participants with US\$10m-\$19m tickets for a 12bp fee.

The borrowers are CHAINWIN BIOTECH & AGROTECH (CAYMAN ISLANDS) and five China-based units of Win Semiconductors, while the parent is the guarantor.

Funds are for capital expenditure and working capital.

Chainwin Biotech & Agrotech will increase its investment in a farming and breeding technology company in China by

US\$30m, according to a filing to the Taiwan Stock Exchange in May.

YFY SOUNDS FOR NT\$11BN IN LOANS

Paper maker YFY has sent out a request for proposals for two five-year loans totalling NT\$11.1bn (US\$376m).

YFY is the borrower on a NT\$7.5bn loan, while its subsidiary YFY PACKAGING is the borrower on a NT\$3.6bn facility. Both facilities are expected to carry greenshoe options of up to 20% of the loan sizes.

Funds are for refinancing and working capital purposes.

In November last year, YFY and two other units, Chung Hwa Pulp Corp and YFY

Consumer Products, raised three five-year loans totalling NT\$13.8bn, according to Refinitiv LPC data.

YFY was the borrower on a NT\$6bn loan, while Chung Hwa Pulp and YFY Consumer Products borrowed two other facilities of NT\$6bn and NT\$1.8bn, respectively.

Bank of Taiwan was the bookrunner and facility agent of the two NT\$6bn loans, while Chang Hwa Commercial Bank led the NT\$1.8bn deal.

Both the NT\$6bn loans comprise a NT\$3.3bn revolving credit tranche A and a NT\$2.7bn guarantee tranche B. Tranche A pays an interest margin of 50bp over Taibor, with a pre-tax interest rate floor set

Chailease Fin launches refi

Loans Taiwanese unit of Chailease Holding follows affiliates

CHAILEASE FINANCE, a unit of Taiwan-listed Chailease Holding, has launched a NT\$5bn (US\$170m) three-year loan into general syndication.

Land Bank of Taiwan is the mandated lead arranger and bookrunner of the transaction, which comprises a NT\$5bn tranche A and a NT\$3.5bn guarantee tranche B. The two tranches cannot exceed a combined amount of NT\$5bn.

Tranche A offers an interest margin of 70bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B pays an annual guarantee fee of 60bp.

Banks are invited to join as MLAs with commitments of NT\$1bn or more for an upfront fee of 18bp, as managers with NT\$600m-\$999m for a 8bp fee, or as participants with NT\$300m-\$599m for a 5bp fee.

There is a 2bp early-bird fee for those joining by August 14. The deadline for responses is on August 21.

Funds are to refinance the NT\$4bn three-year loan the borrower raised in October 2017. Yuanta Commercial Bank was the original MLAB of that transaction, while Chang Hwa Commercial Bank, LBoT and Taiwan Cooperative Bank came in with the same title.

That deal comprised a NT\$1bn revolving credit tranche A and a NT\$3bn guarantee tranche B. Tranche A pays an interest margin of 85bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 70bp.

Chailease Finance offers leasing, factoring, corporate direct loans and offshore financing services in China, South-East Asia and North America.

Separately, CHAILEASE INTERNATIONAL FINANCE, another unit of Chailease Holding, launched a three-year loan of up to US\$350m the week before last.

Bank SinoPac and Standard Chartered Bank are the MLABs of the bullet transaction, which offers a top-level all-in pricing of 150bp based on an interest margin of 140bp over Libor and a 30bp fee.

Meanwhile, the Cambodian and Thai subsidiaries of Chailease Holding are also tapping the loan markets, following close on the heels of two other loans totalling US\$150m for Chailease's Singaporean and Vietnamese units launched last month.

Mizuho Bank is the coordinator for a loan of around US\$100m for Chailease Thailand and is reaching out to relationship banks for the new deal.

Chailease's Cambodian unit is also sounding the market for a US dollar loan.

The terms of the two borrowings are yet to be determined.

Mizuho is also the sole MLAB of a US\$100m three-year bullet loan for Chailease Holding's Singapore-based unit CHAILEASE INTERNATIONAL FINANCIAL SERVICES (SINGAPORE).

The transaction offers a top-level all-in pricing of 133.33bp and 138.33bp based on interest margins of 120bp and 125bp over Libor and an upfront fee of 40bp for tranches A and B, respectively.

Bank SinoPac is the sole MLAB on the three-year loan of up to US\$70m for Chailease Holding's Vietnam-based unit CHAILEASE INTERNATIONAL LEASING.

That deal offers a top-level all-in pricing of 149.05bp based on an interest margin of 130bp over Libor and an upfront fee of 50bp. EVELYNN LIN

at 1.7%, while tranche B offers an annual guarantee fee of 50bp.

The NT\$1.8bn loan has a NT\$1bn revolver tranche A and a NT\$800m guarantee tranche B. Tranche A provides a margin of 52bp over Taibor, with a pre-tax interest rate floor of 1.7%, while tranche B offers an annual guarantee fee of 52bp.

Founded in 1924, the Taiwan-listed borrower makes paper products and related machinery and equipment.

TATUNG UNIT SEEKS NT\$4.5BN SOLAR PF

A renewable energy arm of Tatung is seeking an 18-year project financing of NT\$4.5bn for the construction of a solar power plant in southwest Taiwan.

Bank SinoPac, DBS Bank, KGI Bank, Mizuho Bank, Sumitomo Mitsui Banking Corp and Taipei Fubon Commercial Bank are the lenders of the club deal. Mizuho Bank is the financial adviser.

The club loan offers an interest margin of around 180bp over Taibor and has no interest rate floor.

Funds are to back **CHIH KUANG ENERGY's** development of the 85MW solar power plant in the southwestern city of Tainan.

Two Japanese firms – Sojitz Corp and Shikoku Electric Power – will also invest in the solar power plant.

In June, Tatung announced that it would sell all the shares in Chih Kuang Energy, its wholly owned subsidiary, for NT\$819m to a planned joint venture to be established by

the two Japanese companies. Taitung will retain preferred shares in the unit at a later stage.

The acquisition and the establishment of the joint venture await the approval of the Investment Commission of Taiwan's Ministry of Economic Affairs, Tatung said in a statement.

Through the partnership with the two Japanese companies, Tatung hopes to gain expertise in the construction and operation of solar power plants and to seek more business opportunities in and outside of Taiwan, it said.

Chih Kuang Energy will begin construction on the solar power plant in the second half of this year and aim for completion in 2021. The plant will supply

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electricity to fish farms in the Qigu district in Tainan.

Taiwan-listed Tatung last tapped the loan market in December 2016 for a NT\$25.2bn five-year facility. Bank of Taiwan is the facility agent.

› NICE PLAZA LAUNCHES NT\$3.3BN REFI

NICE PLAZA has launched a NT\$3.3bn five-year facility, returning to the loan markets after an absence of more than three years.

Chang Hwa Commercial Bank is the mandated lead arranger and bookrunner of the facility.

The margin is linked to the borrower's pre-tax net profit margin: 139bp for a positive pre-tax net profit margin and 149bp for a negative one, with a pre-tax interest rate floor set at 2%.

Banks are being invited to join as MLAs with commitments of NT\$500m or more for an upfront fee of 52bp, as lead arrangers with NT\$400m–\$499m for a 37bp fee, or as participants with NT\$200m–\$399m for a 27bp fee.

There is a 3bp early bird fee for those joining by August 21. The deadline for responses is August 28.

The borrower's land and buildings serve as security, while its parent Nice Enterprises is the guarantor.

Funds are to refinance a NT\$3.38bn five-year term loan the borrower raised in April 2017.

Chang Hwa and Taiwan Cooperative Bank were the MLAs on that deal, which offers an interest margin of 159bp over the one-year post office savings rate. Banks were offered a top-level upfront fee of 50bp.

THAILAND

DEBT CAPITAL MARKETS

› THAILAND GOES SUSTAINABLE

The **KINGDOM OF THAILAND** will hold an investor roadshow this Wednesday ahead of an inaugural sustainability baht-denominated bond offering.

Global investors have been invited to a virtual roadshow organised by *Bangkok Bank*, *Bank of Ayudhya* and *Standard Chartered Bank Thai*.

The fundraising will be done through the Ministry of Finance's Public Debt Management Office.

No other details were disclosed.

The government of Thailand launched a Bt1.9trn (US\$60bn) stimulus package at

end-May to support an economy that has been badly hit by the coronavirus outbreak. It has projected that it would need to raise some Bt1trn through various options to fund the stimulus programme.

› ANANDA GOES PERPETUAL

Property company **ANANDA DEVELOPMENT**, rated BBB by Tris, will offer perpetual bonds to institutional and high-net-worth investors in August to raise Bt1bn.

The bonds, rated BB+, are priced at par to yield 9.5%. There will be a call at the end of year five, when the coupon will reset to 868bp over Thai government bonds plus a step-up of 25bp. After 25 years, the step-up will rise to 100bp.

The residential developer is an annual issuer of perpetual bonds. It will use the proceeds to refinance a Bt1bn 9% perpetual bond that is callable on August 19.

Subscription will run from August 14–18.

CIMB Thai Bank, *Kasikornbank*, *Krungthai Bank*, *KT Zmico Securities* and *Siam Commercial Bank* are joint lead managers.

› ICBC THAI PLANS RETURN

ICBC THAI LEASING, locally rated AAA by Fitch, is returning to issue bonds in tenors of two to five years to raise up to Bt6bn.

Bangkok Bank, *Kasikornbank* and *Krungthai Bank* are joint lead managers for the offering.

The Thai leasing company, which is targeting a minimum size of Bt5bn, is sounding out the market with preliminary price indications of 1.6%–1.8% for the two-year tranche, 1.89%–2.09% for a three-year tranche, 2.18%–2.38% for a four-year tranche and 2.42%–2.62% for the five-year tranche.

Bookbuilding is scheduled for July 30.

ICBC Thai Leasing, which is owned by Industrial and Commercial Bank of China (Thai), has an outstanding Bt2bn 2.5% bond maturing on October 26. It raised Bt2.4bn from one and 1.5-year notes in late May at 1.65% and 1.77%, respectively.

EQUITY CAPITAL MARKETS

› ADB SELLS GULF ENERGY, GRIMM BLOCKS

The Asian Development Bank has raised Bt9.64bn (US\$305m) from a pair of block trades in Bangkok-listed **GULF ENERGY**

DEVELOPMENT and **B GRIMM POWER** which were priced at the bottom of price ranges, according to people with knowledge of the transactions.

The multilateral bank sold 176m Gulf Energy shares, equal to a 1.7% stake, at the

bottom of the Bt35.15–Bt35.52 range. The sale price was at a 5% discount to last close of Bt37.00. Gulf Energy shares closed at Bt34.25 on Thursday.

The ADB owned a 3% stake in the company before the sale. Books were multiple times subscribed with around 40 accounts and the top 10 were allocated 70% of the deal.

The ADB sold 68m B Grimm shares, equal to a 2.6% stake, at the bottom of the Bt50.80–Bt51.50 range for a 5.5% discount to last close of Bt53.75. B Grimm shares ended Thursday at Bt51.50. The ADB owned a 4.72% stake before the block. Around 40 accounts participated and the top 10 were allocated 75% of the transaction. B Grimm shares are up 2.4% this year.

There is a 60-day lock-up on the ADB.

Citigroup and *JP Morgan* were the joint bookrunners.

VIETNAM

SYNDICATED LOANS

› AIIB PROVIDES US\$100M LOAN TO VPBANK

The Asian Infrastructure Investment Bank will lend up to US\$100m to **VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK** (VPBank) in a co-financing arrangement with the *International Finance Corporation*.

AIIB's first project in Vietnam will allow VPBank to expand lending to the private sector to help sustain business activities disrupted by the Covid-19 pandemic, the multilateral development bank said on July 17.

The Vietnamese bank also signed a loan agreement with the IFC on June 30 for an up to US\$100m facility, according to an investment disclosure by the lender.

VPBank had been in talks for a one-year renewable senior loan of up to US\$100m from IFC's own account and a syndicated portion of up to US\$50m that includes a greenshoe option.

In January, VPBank obtained a US\$212.5m five-year loan from IFC and six other lenders, including a portion qualifying as a green loan.

China's Bank of Communications, Germany's Deutsche Investitions- und Entwicklungsgesellschaft, Industrial and Commercial Bank of China, multilateral International Investment Bank, KEB Hana Bank and Thailand's Kiattakin Bank were the lenders on US\$125m of the loan.

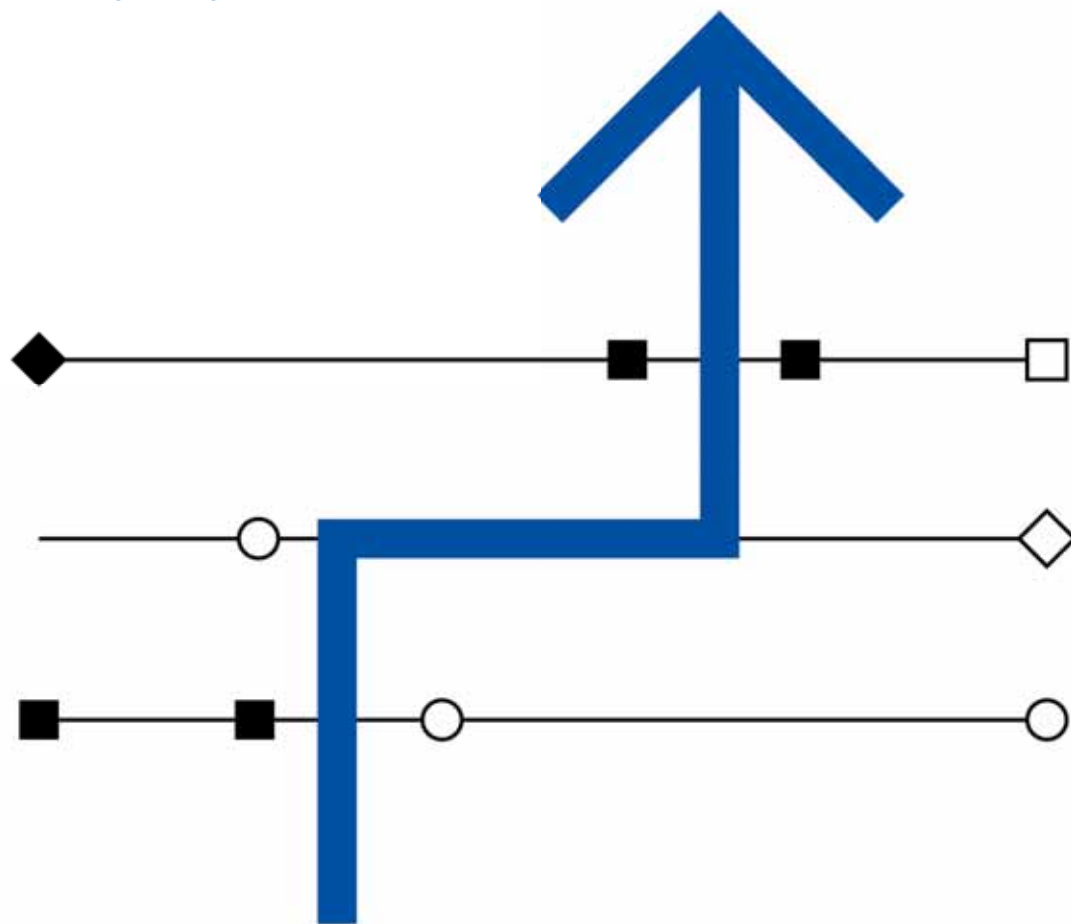
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WHERE IS THE NEXT...DUBAI, SHANGHAI, SINGAPORE?



Landscapes and cityscapes have transformed over the years with the development of major infrastructure projects across many countries. The OECD estimates that meeting the UN Sustainable Development Goals (SDGs) will require ~\$6.3T in annual investment immediately, increasing to ~\$6.9T to meet the Paris Agreement goals.

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